Monday October 17 1988.

**EUROPE 1992** 

No.30,669

### Inquiry says Zia's death probably sabotage

An official inquiry into the death of President Mohammed Zia-ul-Haq of Pakistan failed to pinpoint the cause but ruled out technical failure and a suicide mission by the crew. However, government officials said the Pakistan Air Force report, compiled with US assistance, left no doubt his aircraft was sabotaged. Page 2

World News

**US** bases accord The US and the Philippines expected to conclude an agree

ment on continued operation of American military bases. The accord would provide the Philippines with nearly \$1bn in aid over the next two years.

**Test for Rocard** Mr Michel Rocard, French Prime Minister, appealed for calm as France braced itself for a week of labour turmoil in the public sector which is expected to constitute a hig political test for both the Socialist Government and the

French labour movement. Page

Chile's candidate Chile's 16-party opposition coalition said it would field a single candidate in the presi-dential election due in December 1989. Page 3 🚈

Korean trade link Direct trade relations between the Soviet Union and South Korea moved closer when the two sides signed a memorandum on further co-operation. A South Korean delegation visits Moscow in December.

STATE OF STATES

Trade war fears Fears that a transatlantic trade war would erint next year, were being fuelled by reports that the US was contemplating massive retaliation against the European Community's controversial meat hormones ban. Page 2

EC split on glasnost Fundamental differences of approach on how the RC should respond to the reform process set in motion by Mr Mikhail Gorbachev, the Soviet leader, emerged during an informal weekend meeting of EC foreign ministers in the Greek town of Ioannina Page

ETA bomb blast A bomb killed a Spanish police-man and wounded three others on a railway line near the northern town of Legazpia as they were searching for explosives. ETA, the Basque sepa-ratist organisation, claimed responsibility.

Peru miners strike More than 60,000 Peruvian miners started an indefinite strike demanding the Govern-ment fulfil agreement made at the end of their last general strike 60 days ago. Page 3

**US urges caution** 

Western governments cannot afford to relax their efforts to prevent sensitive technology esching the Soviet bloc, despite glasnost and perestroika, according to the US State Department. Page 4

Tamils kill 5 Five Indian soldiers were killed when their vehicle hit a mine planted by Tamil guerrillas at Mandur, Batticalca district, in eastern Sri Lanka.

Soccer trial starts Twenty-six British soccer fans go on trial today, charged with manslaughter, for the unlawful killing of 39 people, mostly Ital-

ians, in riots at the Brus Heysel stadium on May 29,

Greek tremor A strong earthquake rocked to collapse and widespread

western Greece causing hous damage, but there were no immediate reports of serious injuries. The quake registered 6.0 on the Richter scale and was centred in the Ionian Sea.

Mint condition

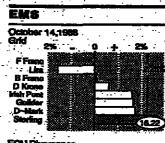
Gibraliar is to have its own coins, minted privately in Britain, in the hope that tourist and collector purchases could raise up to £750,000 (\$1,35m) a year.

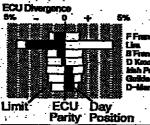
### Business Summary

### Chargeurs set to save **Epeda from** Valéo bid

CHARGEURS, the French holding company, is expected to emerge this week as a white knight to help Epeda-Bertrand Faure, the French car seat manufacturer, fend off a hos-tile FFr2.3bn bid from Valéo, the country's leading car components group. Page 22

EUROPEAN Monetary System: The French franc came under renewed pressure towards the end of last week, allowing the D-Mark to break significant resistance at FF13.4100. How-





ever the extent of the decline was tempered by fears that the Bank of France would intervene, and a slight firming in domestic interest rates. Con-sequently, the franc finished above its lows, but traders expect further pressure to be exerted this week.

The chart shows the two constraints on European Monetary System exchange rates, The upper grid, based on the weak upper grid, based on the weakest currency in the system,
defines the cross-rates from
which no currency (except the
lira) may move by more than
214 per cent. The lower chart
gives each currency's divergence
from the "central rate" against
the European Currency Unit
(Ecul. itself derived from a bre-(Ecu), itself derived from a bas-ket of European currencies.

**BANCO Central and Banco** Espanol de Credito (Banesto), two of Spain's biggest banks, merger plans won the over-whelming approval of shareholders at meetings in Madrid amid signs of increased boardroom infighting. Page 22

KOOR Industries' Israeli creditors may this week join Bankers Trust, the US investment bank, in seeking the winding up of the \$3bn Israeli company, the largest industrial conglom-erate in the Middle East. Page

ALUMINUM Company of America, world's largest aluminium producer, more than doubled third quarter net profits from \$109m or \$1.24 per share to \$226.3m or \$2.56, reflecting continuing strong demand and prices. Page 26

CROS, the Catalan fertiliser group, is set to merge with Union Explosives Rio Tinto (ERT) to form Spain's largest chemicals group. ERT shareholders have approved the meet today. Page 26

**NATIONAL Westminster** Bank, the UK's largest clearer, intends to approach the unified European market by means of joint ventures with partners in selected countries, rather than trying to go it alone. Page

BAII, the Arab-controlled consortium bank, is close to agree-ing the sale of 49 per cent of Sheppards, its London stock-broking subsidiary, to the firm's management. Page 26

COMPAQ Computer, the Houston-based company which is the world leader in portable computers, has launched eagerly-awaited family of battery-powered or lap-top per-sonal computers. Page 26

KLOCKNER and Co, the West German trading company which has lost as much as DM600m (\$323m) to DM700m in oil trading, has sent shockwaves as far as the Eurocommercial paper market. Page

US trade deficit

The headline on the story concerning the US trade deficit in the International Edition of the FT of Friday October 14 stated that this had reache \$39bn. The US, in fact recorded a trade deficit in August of \$12.2bn. Imports into the US in August were \$39.7 bn. We apologise for the error.

### Yugoslav crisis may force Politburo resignations

THE YUGOSLAV Communist Party, faced with an increasing economic and political crisis, begins a crucial central com-mittee plenum today during which it is expected several Politburo members will resign, writes Judy Demnsey from writes Judy Dempsey from

writes Judy Dempsey from Belgrade.

The meeting, taking place against a background of nationalist unrest and demonstrations, will consider which members of the present leadership are responsible for the crisis. Workers have also been protesting against inflation, now running at an amutal rate of more than 200 per cent, and a curb on wage increases. a curb on wage increases. Already, two members of the

By Lionel Barber in Washington

MR MICHAEL Dukakis, who is

scrambling to salvage his Dem-ocratic presidential campaign, has virtually surrendered most

of the South and Rocky Moun-

tain states to Mr George Bush, the Vice-President, and is counting on the Mid West industrial states, New York

and California to deliver a come-from-behind election win. The Massachusetts Governor will today try to mount a com-eback based on an 18-state elec-

toral strategy focusing on eco-

omic issues. Senior Dukakis aides met in

Boston at the weekend to plot a comeback strategy for their

embattled nominee who is

scheduled to campaign in Ohio today, one of several Mid West

states he must carry if he is to

have a realistic chance of beat-

ing Mr Bush on November 8.
Mr Dukakis will present a
message of "economic patriotism" intended to appeal to
blue-collar workers whose jobs

are threatened by foreign com-petition and to attack the Rea-gan Administration for creat-

ing what they see as an illusory prosperity which has squeezed middle class voters.

But with little more than 21

days left before polling day,

Democratic leaders fought yes-

notion that Mr Bush has vic-

tory within his grasp. Several

cited President Harry Tru-man's victory in 1948 when

South Africa returned to Pre-toria yesterday amid rising

speculation that 10 days of

meetings with European busi-nessmen, politicians and bank-ers, rounded off by a stopover

in the Ivory Coast, could lead

The five-hour stopover in the

Ivory Coast yesterday was at the invitation of President

Felix Houphet Boigny. Presi-

dent Botha made the visit on the way home from a visit to

West Germany and Switzer-

land which began with the funeral of Mr Franz Josef Strauss, Prime Minister of Bav-

It was President Botha's

fourth visit to an African head

of state in recent weeks. His latest tour, the first since a 1984 safari to European capitals in the wake of the Nkomati accord with Mozambique,

followed visits to Mozambique, Malawi and Zaire last month.

The hastily improvised Ivory

Coast visit was part of a new effort to reverse years of offi-

to new efforts to revive domes

Polithuro have resigned. Mr Franc Setinc, a leading mem-ber of the Communist Party, resigned two weeks ago fol-lowed by Mr Bosko Krunic, from the autonomous province of Vojvodina who was forced out of office by angry Serbian nationalist demonstrators.

Today the central committee will decide if the remaining 12 members of the Politburo, but not the ex-officio members which include the leaders of the six republics and two provinces, should individually sub-mit themselves to a vote of confidence by the 165-strong central committee. If they do, it will be of cru-cial significance for Mr Slo-

**Embattled Dukakis** 

pins campaign hopes

on 18-state strategy

Dukakis: economic patriotism

Senator Albert Gore of Ten-

nessee, a former Democratic presidential candidate, accused

the Bush campaign of stamped-ing voters into believing the race was over and said Mr Dukakis was comfortable with

Democratic defensiveness contrasted with the confidence which Mr Bush and his senior advisers have been exuding

since last Thursday's final

presidential debate in Los Angeles, where the Mr Bush emerged a clear victor and Mr.

Dukakis did nothing to help

reverse the slim but solid lead

in the polls which Mr Bush has

hostility to public dealings with South Africa from bodies

such as the Organisation of

African Unity and the African National Congress. At the same time as Presi-

dent Botha, accompanied by Mr Pik Botha, the Foreign Min-

ister, and other senior officials

was meeting the Ivorian leader, the ANC was playing

host to Dr Danie Craven, presi

dent of the South African Rugby Board. The meeting took place in Harare amid

signs that the ANC, under

pressure from Moscow to mod-

ify its traditional positions on

violence and a socialist econ-omy in a unitary black-ruled state, was preparing to soften

its long standing support of a rigid sports boycott.

For South Africans, obsesse

with sport, it is proving diffi-cult to assess what is the most

important development; the breach of South Africa's politi-cal isolation in Africa, or the

prospect of ANC approval for a resumption of international Continued on Page 22

held since early September.

"his give 'em hell" offensive
turned his Democratic campaign round in the final three

Most polls show Mr Bush
with a clear five to six-point
lead in the national opinion

Botha's visit sparks

PRESIDENT P. W. Botha of cial ostracism and continuing

reform speculation

By Anthony Robinson in Johannesburg

bodan Milosevic, the powerful and populist party leader of Serbia who has been demanding the resignation of incompe-tent and corrupt officials. He has thrown his weight behind demonstrations organised by

Serbian nationalists.

The Serbs want the federal party leadership to take firm measures against the leader-ship in the autonomous province of Kosovo who, they argue are not doing enough to curb the alleged intimidation of the Serbian minority by the ethnic Albanian majority. Serbian nationalists regard

Mr Milosevic as one of the few untainted officials who can put an end to the alleged violence

polls, but estimates in the state-by-state Electoral College,

which will actually determine the next president, give Mr Bush a two-to-one advantage.

The surveys show that Mr Bush has consolidated his hold

on more than 200 of the 270

states needed for victory com-

pared to fewer than 100 for Mr Dukakis. The winner of the

popular votes in a state wins

all the state's electoral voters.

indicators appears to have driven the Dukakis camp

towards a less ambitious elec-toral stategy for the cam-paign's home stretch than they

outlined in July when they spoke of competing in all 50

The 18 states they have tar-

geted include Ohio, Pennsylva-

nia, Michigan, Illinois, New York and California, whose size makes them rich in elec-

size makes them first in elec-teral college votes. Other states include the New England group led by Massa-chusetts itself, Iowa and Wis-cussin in the Mid West, and Oregon, Washington and Hawaii in the West. A second tier of states,

where Mr Dukskis is behind

but still competitive, includes Montana, Colorado, Missouri

By contrast, Texas and New

Jersey have apparently been relegated to a third category of potential wins. The relegation

of Texas is a particular blow to

Bush in California, Page 2

sends out

By Philip Coggan

SHABEHOLDERS

ent from the Gold Fields

board and a rival salvo from Minorco, the South African-

controlled investment com-pany which is bidding £2.7bn (\$4.6bn) for the London-based

mining and industrial group.

The Gold Fields document does not contain either a prof-

tion, although it says the Minorco offer significantly

undervalues" the group and adds that a valuation will be sent to shareholders "shortly."

Bid tactics frequently

require target companies to delay releasing financial infor-

mation, such as profits fore-casts, until the predator increases its bid. However, a

Minorco spokesman said yes-terday that newspaper reports that it was preparing a higher offer were "kite-flying."

The defence document claims that Minorco has major

Continued on Page 22

Democratic hopes

Recognition of these stark

in Kosovo,
They believe that he has the ability to push through radical political and economic reforms. However, several of the other six republics, most notably six republics, most notably Slovenia, have sharply critic-ised the Serbian party leader-ship for promoting Serbian-in-spired nationalism as a means of intimidating leaders of the republics into resigning. At the weekend, Mr Milan Krean, the outspoken party

Kucan, the outspoken party leader of Slovenia who has gone the furthest in introduc-ing economic and political reforms, indirectly accused some officials of wishing to "impose a single will, to pitch one nation against another."



D 8523 A

# **British Steel** may buy French nuclear power

A GROUP of the UK's higgest electricity consumers, includ-ing British Steel, has opened talks with Electricité de France (EdF) about the possibility of importing cheap nuclear elec-tricity after Britain's power stations are privatised.

The move will intensify a major argument between the British Government and its own electricity industry about how much freedom should be given to generating companies

- and exporters of electricity

- to pick off the best parts of
the industrial market.

The UK Government has been warned that if companies such as British Steel are able to mop up all the cheap supplies of power, domestic consumers and small companies will have to pick up the bill for the higher-cost supplies the higher-cost supplies. France is able to sell cheap power because of surplus capacity from its nuclear power stations. It is therefore willing to sell power at any price above the running costs,

which are low.

Britain's 12 area boards,
which will be sold as private
electricity retailing companies,
have also complained to the
government that they could be
in financial trouble if their largest customers are allowed to escape from them after pri-

At the time of the flotation the boards will be endowed with contracts with power stations for enough electricity to satisfy expected demand. They say it would be unfair to be forced to pay for power they could not then sell, while the generating companies "pick cherries" from the market.

North Sea gas fields. Page 6

However, the Central Electricity Generating Board (CEGB), whose power stations will be split between two companies, has told ministers that it sees no good reason why area boards should act as middle men between generators and industrial consumers.

tract to buy French power.

The British Steel participant at the talks is believed to have been Mr Stephen Macey, the corporation's energy supplies manager. The approach to the French was prompted by the UK Government's policy docu-ment on electricity privatisa-tion in February which said large industrial consumers would be able to buy electricity direct from the bulk producers.

privatisation, told British Steel tem from the CEGB.

A UK Monopolies Commission report on British Gas will recommend the corporation be prevented from buying up the whole output of

EdF, the French State-owned utility, confirmed in Paris at the weekend that British Steel was one of a group of British companies which had shown an interest in a long-term con-

EdF, whose senior manage-ment does not yet understand the full implications of the UK

that its policy on exports of power is to deal only with national electricity authorities. However, it opened the way for serious talks, provided that they involved the National Grid Company, which is to take over the transmission sys-

### Moscow takes soundings on £1bn trade credit

By Peter Montagnon, World Trade Editor, in London

THE Soviet Union has begun soundings with banks in the City of London for a trade credit that could amount to

tibn (\$1.7bn).

The deal, which would be along the lines of the DM3.5bn (31.9bn) trade credit announced in May by West Germany's Deutsche Bank, could provide a substantial boost to UK

Bankers stressed at the weekend that no formal pro-posals for the deal had been made by either side, but the possibility of a credit arrangement was likely to feature in bilateral talks this week between Mr Alan Clark, UK Trade Minister, and Mr Kon-stantin Katusov, Soviet Minis-ter for Foreign Economic Rela-

The two are to meet in the framework of the Anglo-Soviet Joint Commission on trade for three days of talks in London, eginning tomorrow.

if it emerges, the deal will mark the second attempt by Britain in two years to promote exports to the Soviet Union through the provision of credit. A credit protocol for an unspecified amount was signed early last year by the Export Credits Guarantee Department. Some bankers remain scepti-

cal about the desirability of striking a new deal when credit facilities available to Moscow under that arrangement are still not fully used up. A drawback has been interest rate provisions introduced by the Soviets which require exporters to subsidise the finance by raising their contract price.

However, others believe a new deal would provide an opportunity to negotiate more flexible terms with the Soviet Union so it would be more likely to take up credit offered by the UK. Bankers believe that the

Soviet Union is making similar bilateral soundings for credit with other countries, including Italy and Japan, as it seeks to build up a framework of financial resources for increasing its ports from th

This could add to pressure on Britain to respond favourably to a formal request from Moscow because it would otherwise risk being left out. Precedent suggests that the mere provision of credit does not automatically lead to big-

Continued on Page 22

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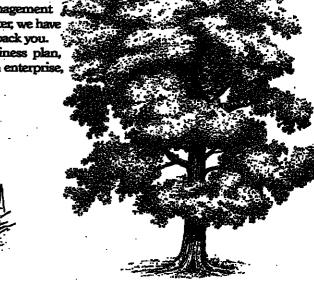
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24-26 Currencies



Mr Harry Oppenheipatriarch, talks about the response by Con-solidated Gold Fields to the hostile takeover bid from Minorco, a company in the Anglo

costs encourages global collaboration. Management: Tackling countertrade problems at the roots ... iarael's elections Lackiustre campaign encompasses a loveless embrace .. Editorial comments The US and the world economy: challenges and responses ...... Lex: Markets; UK market makers ... Japans Government's sale of NTT shares is

billed as a cliffhanger .. Survey: West Sweden ... international Bonds ..... 25 Money Markets

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Unit Trusts

### Bush vibrations draw Californian voters

Stewart Fleming follows the Vice-President to the almond capital of the world

JUST NUTS ABOUT Bush, read the sign above Vice-President George Bush's head here in Ripon, a town of 6,000 in the Central Valley of California which boasts of being the almond

capital of the world It was the second halt on a 123-mile bus stop tour from Stockton to Fresno, a journey through some of the most productive farmland in the world, land which produces the bulk of California's \$15bn-worth (£8.6bn) of agricultural pro-

On this vast and arid plain, stretching as far as the eye can see in any direction, brought to life by the magic of irrigation but threatened now by two successive years of drought and dwindling supplies of water, groves of apple, pear, walnut, pistachio, almond, olive and even Christmas trees stretch from the madeide to the might beginn the roadside to the misty horizon.

And here in Ripon as a Union Facific train clanks through the town not 300 yards from where Mr Bush is speaking, the Vice-President is already warming to a task he has begun to enjoy, exercis-ing his fledgling skills as a demagogue. "Here is where the term Reagan Democrat' best finds meaning says the handout from the Bush campaign, which explains in general terms why

the candidate is to spend a valuable day in the Central Valley. The towns on the route, Ripon being an exception, contain more registered Democrats than Republicans, but these are Democrats of a particular conserva-tive breed who gave the state's former Republican Governor, Ronald Reagan, 60 per cent majorities in the 1981 presi-

SIEMENS

dential election. If they can be persuaded to vote for

Mr Bush in anything like similar num-bers, the offsetting strengths and weak-nesses in other areas of California will

cancel each other out, says Mr Bill Lacy, a Bush campaign consultant.

Then the Valley could be decisive in delivering Mr Bush the bonanza of 47 electoral college votes which are at take in California - almost consecutive. stake in California – almost one-sixth of the 270 electoral college votes he needs to win November's election.

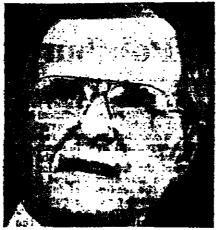
Mr Bush has started the second day's campaigning since his debate victory with a jetstream at his back. A new Los Angeles Times poll shows that the debate with his Democratic rival, Governor Michael Dukakis, has helped him increase his lead nationally to 10 per-centage points, 52-42, with the unde-cideds shrinking to 5 per cent.

The gender gap, the margin by which women in the past have favoured Mr Dukakis has been eliminated according to the LA Times - Mr Bush now leads the governor by 5 points among women voters and 16 points among men.

To boost his prospects today, the Vice-President has used the old California trick of bringing along a few

Mr Bush, who wants to lead "a kinder and gentler nation", is introduced to the crowd by Mr Chuck Norris, star of some of the most violent films on America's screens - Invasion USA, Good Guys Wear Black.

Two of the Beach Boys singing group, one of whose members had a drug problem some years ago, are there to liven up the crowd too. Tm picking up Bush vibrations. He's the best guy to lead the nation" they croon. By the fourth stop they have mercifully disappeared.



George Bush: "He just seems so tough,

Mr Bush has less need of such props these days. Now he fires out sound hitse like artillery shells and his new mastery of the manly gesture and macho-shurring of the odd word here and there give his oratory a conviction it lacked even 12 weeks ago.

y opponent hates the 'L' word, yuh know the word he used to utter proudly in the Democratic primary, talk about it all the time. . . the 'L' people have failed. Lib-eralism failed America," he says.

"I'm glad the blame-America-first crowd is no longer in office," he spits out scornfully. "Because we are a moral nation, a good nation, an honourable

There's a new world-class contender

nation and we are the only nation com-mitted enough to freedom and democ-racy to keep our defences up," he adds, pressing one of the conservative Demo-crat hot buttons in the Central Valley. crat hot buttons in the Central Valley.

Says Mr Roy Burdett, a water and sewer worker who voted Democrat for Carter in 1976 then "Republican to get rid of Carter" in 1980 because he was soft on defence. "I am a Vietnam veteran and I want to buy a shirt that says 'next time let's win." He is lessing

towards a vote for Mr Bush. So too is Ms Karen Bristow, a young woman in the crowd who is one of those voters undecided until she saw last Thursday's debate and now intents to vote for Bush too because "he just seems so tough, so adducant".

Along the way, Mr Bush is met by large, enthusiastic crowds. At Mercer there are rather more Democrats in the trowd, though, one of whom scorns Mr Bush for ignoring the powerty which lies hidden behind the Main Streets in the Central Valley.

It's have and have nots. There is just

horrible poverty here, tin shacks like it Jamaica," for the migrant farm-working families, says Mr Rob Wells, a Fresno-based reporter for Associated Press.

The indigent are not swing-Republi-can voters, however, and Mr Bush's car-avan marches on past the orchards and the grape trees, the turkey farms and the neat detached houses, to Building Stadium, home of Fresno State Univer sity as the sun sinks over the Pacific No problem with a crowd here either, for as soon as Mr Bush's cavalcade departs the football game with Utah State University will get under way. Now that is good advance work.

# Gen Zia's death blamed on aircraft sabotage

By Christine Lamb in Islamabad

PAKISTAN'S armed forces may hose a high level investigation after President Ghulam Ishaq Khan said that the aircraft crash on Angust 17 which killed the late President Molecular and 30 Mohammad Zia ul-Haq and 30 others was caused by an act of

The Pakistan Air Force report said that there was no technical fault in the aircraft and did not rule out the possibility of an explosion in the cockpit or the spreading of a poisonous gas such as carbon

postenous gas such as carbon monoride, sufficesting all those on board, said President Khan on national television.

"The finding is that it is a case of subotage resulting in the crash of the plane," said Mr Faten Khan Bandial, the

of co-ordinating further inqui-ries. The report made no refer-ence to who might be responsi-ble, and the officials said investigations by Pakistani intelligence againties were con-

It is widely believed in Pakistan that KGB and the Aighan intelligence Khad were behind the C-136 crash which killed all Pakistan's senior military staff

and the US ambassador.

The new chief of army staff,
General Asiam Beg, has
cisimal that there is a plot to
destabilise Pakistan, linking a
chain of events including sectation riots in the north in Jely, the assessination of an important Shia leader in August, the C-130 crash, and most recently the massacre in

However if the air crash was part of any foreign plot there would probably have had to be collaboration from within the armed forces, the only people who would have had access to

the sincreft. The timing of the report's release is significant in the run-up to elections scheduled for November which many helieve the same will not allow to take place, despite Gen

Beg's assurances.
Splinters of the debris have been sent for foressic tasks in the US which are expected to reveal more details on the exact nature of the subotage. The report made clear the C-130 had no voice recorder in the cockpit.

# Rocard prepares for a week of unrest in French public sector

By Paul Bette in Paris

FRANCE WAS breeing itself reserved was enough used; pesteriol in the public sector which is expected to constitute a hig political test for both the Socialist Government and the

French labour movement.

Mr Michel Rocard, the Prime Minister, appealed for the sec-end time in three days for calm end time in three days for calm and comprehension. He said in a Sunday newspaper interview that he was committed to a policy of disingue to defuse the labour unrest, which began with a strike by nurses and is now spreading into most other public sectors including schools, urban transport, railways and the civil service. But Mr Bocard again insisted that the Government, while

that the Government, while sympathetic to the new wage

demands of public sector workers, could not relax its wage policies because of the still fragile condition of the French

As well as offering the five-month-old Socialist Government its first significant test, the public sector strikes are taxing the cohesion of the French union movement, because many of the latest strikes have been launched by specific groups of public sector workers who have organised themselves independently of the traditional unions. The labour discontent and

unrest in the public sector was sparked off by nurses and other hospital workers demanding sharp wage rises and better conditions. The

Government offered a FFrLAbo peckage of wage rises to the package of wage rises in itse nurses, including average monthly rises of FF7690 (365). But the nurses overwhelm-ingly rejected the govern-ment's proposals on Saturday, legistics on a saturday.

insisting on a monthly increase of FF12,000. The pro-Communist CGT union has now called for a strike in the public service secter tenecrow, while the country's other union confe tions have called for a similar strike on Thursday. Public transport is also expected to be disrupted this week, with strikes by urban transport and railway workers, who under-mined the provious right wing Government after a month-

long strike two years ago.

### Hormone ban by EC angers US

By The Dickson in Brussels

FRARS that a transatiantic trade war will erupt in the new year are being fuelled by reports that the US is contemplating massive retaliation against the European Commi-nity's controversial meat hor-

The possibility of tit-for-tat curbs on EC and US exports worth hundreds of millions of dollars has increased following discreet bints from Washing-ton that the next administration may use powers in the recently-adopted omnibus trade act to keep out EC meat on health and safety grounds.

Strictly speaking, the Americal plan to get up special

can plan to set up special checks on imported meat is a separate issue and arises from concern over the hormone cocktail scandal in West Germany this summer when large quantities of illegally impreg-nated beef had to be destroyed.

In practice, however, such an action is being seen as a valuable weapon in Washington's increasingly hitter fight against the EC's blanket ban on the use of all hormone substances in most

Washington has consistently taken the view that a wholesale ban is an inappropriate and ineffective way to control so-called growth promoters in meat production.

### Cairo's fundamentalists protest against inflation

By Tony Walker in Cairo

RIOT POLICE wielding batons dispersed a crowd of mainly religious extremists who were demonstrating in central Catro at the weekend over rising prices and the continued deten-

tion of some of their colleagues under Egypt's emergency law. Recent bloody disturbances in Algeria, led by Mosiem fun-damentalists using concerns about wice vices to mobiliar protesters on the streets, has added to Egyptian official worries about the potentially explosive issue of inflation in a society, 40 per cent of whose members live on or below the

poverty line. Sporadic demonstrations this year spearheaded by young

religious aglistors have tended to focus on the prices issue. The authorities claim that price rises are running at between its per cent and 14 per cent annually, but this figure is discounted by most independest-observers. Surveys by for-signs embassies indicate that inflation is between 20 per cent and 30 per cent.

certainly the most challenging facing a Government grappling with a mountainous foreign debt, higher world commodity prices, lower-than-expected of revenues and pressures for economic reform from international lending institution as the HAF.

### Chadli orders release of youths arrested in riots

By Victor Mailet in Algiers

HUNDREDS of young Algerians arrested in recent anti-government riots were freed at the weekend and handed over to their parents on the orders of President

Chadli Bendjedid.

Although the Government has never said how many peo-ple were killed, wounded or arrested, Algerian state radio said yesterday that at least 500 prisoners had been released. Among them were minors,

those adults not suspected of looting or violence, and a handful of political dissidents rounded up during the distur-

hances. President Chadli also ordered that there should be no special tribunal and that the accused should have the right to defend themselves in court. Some of those arrested had already been sentenced to eight years' jail in the eastern city of Annaba.

# Kurdish refugees find an uneasy home in Turkish tents

ON A windswept plain future with the onset of winter ON A windswept plain surrounded by mountain crags dusted with the first snows of winter, the skeletal telegraph poles and arc lamps, as if in an empty parking lot, were all that remained at the weekend of an Iraqi Kurdish refugee camp previously holding 13,000 people outside Yuksekova in south-east Turkey.

13,000 people outside Yakse-kova in south-east Turkey.

Most of the refugees, with the Turkish authorities' active connivance, had moved on over the border into Iran 40km down the road at Esendere. The rest had been marged into another camp of similar size near Yaksekova at Uzansit, a tented town on a barren slope near Yuksekova at Uzunsit, a tented town on a barren slope to one side of a military road, also to be closed by the end of the month. From here, 3,000 had already gone to Iran, with 10,000 more in the queue behind them, said Turkish officials at the weekend.

But on Follow the welconding

But on Friday the migration was halted when the franks border authorities turned back a convoy from another camp at Silopi, in Mardin province, of 39 bases with 3,000 refu-gees, who then had to be hast-ity accommodated with their bundles at Uzunsirt

in the dusty commotion, as figures scorried by or huddled

settled over the camp. On Saturday, Iran said it was preparing settlements for 100,000 refugees, but could accommodate them all only in the spring. Whether or not this also included 20,000 refugees who have crossed from Turkey into Iran, it was small consolation for those left behind in Uzunsirt and other

behind in Uzunsirt and other camps.

According to experienced observers, the Turkish authorities have generally acquitted themselves well in coping with an unwelcome imposition. There was no visible evidence of physical coercion at Uzunsirt, though some said the Turkish gendarmerie guarding the camp had urged them to move on down the road if they did not want to return to Iraq. Not one of the interviewed refugees wanted that. Only when Saddam Hussein is dead," one said bitterly.

Reports last week that many people were dying of hypothermia in the camps at Yuksekova seemed exaggerated at the weekend, although reiterated by camp inmates themselves. Transistor radios crackled throughout the Uzunsirt camp; quite a lew refu

sirt camp; quite a lew refu-gress spoke good English, lis-tened to BBC broadcasts and

were remarkably aware of the information rea side worki According to Turkish civil-ian authorities, a documented total of 30 people had died in

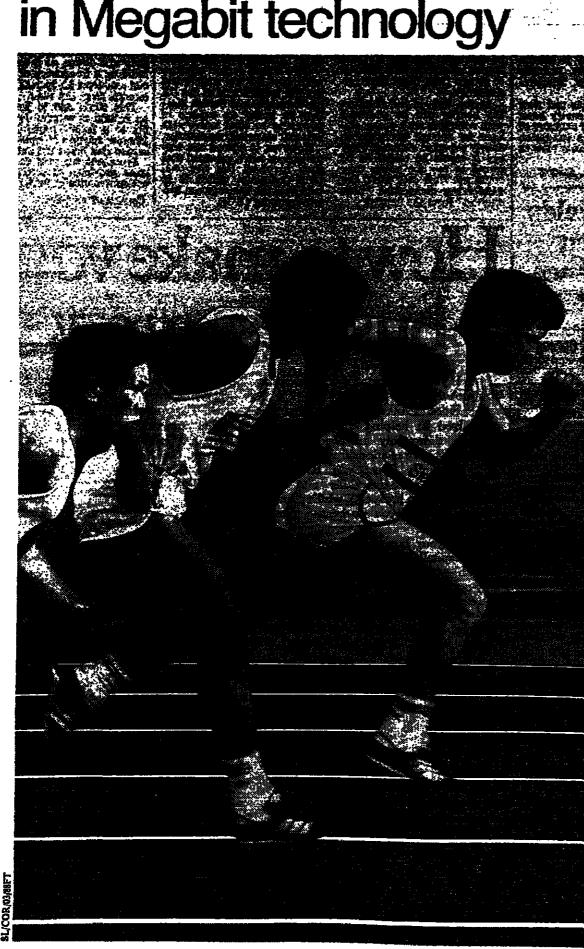
Given the exigencies at their own meagre resources, it seemed the Turkish authoriseemed the Turkish authori-ties had coped will with the refugee problem at other camps near Silopi and Divar-bakir, according to a US medi-cal team on Saturday which found surprisingly little evi-dence of malautrition.

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### **OVERSEAS NEWS**

# Philippines and US set to sign bases accord

By Lionel Barber in Washington and Richard Gourlay in Manila

THE US and the Philippines are expected to sign an accord today on the operation of the strategic American military ses in the Philippines for the next two years.

Under the accord, the US will supply the Philippines with \$481m a year in economic military and development aid in 1990 and 1991 — up sharply from the current \$180m a year — in return for use of Clark Air Base and Subic Bay naval

The agreement, confirmed in Manila yesterday by President Corazón Aquino, marks the end of more than six months of sometimes acrimonious negoti-ations which have left relations between the two countries markedly cooler and led Washington to consider shift-

ing the key bases.

Manila had requested \$1.2bn a year in compensation for the bases, which are placed strate-gically by far eastern sea lanes. It also asked for US measures aimed to relieve its \$28.9bn

external debt. -Washington ruled out paying \$1.2bn for base rights because of domestic budgetary con-straints, but officials have apparently agreed to flexibility

on the debt question.

The question of debt relief has proven particularly tricky because the US administration is anxious not to give the impression to hard-pressed Latin American countries that it is inclined to give special treatment to the Philippines.

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At the weekend, US officials stressed that the provision of funds would be tied directly to ongoing Philippine economic reforms and not to simple debt

A memorandum of understanding to be signed today will probably also make refer-ence to the forthcoming Multi-lateral Aid Initiative that the US, Japan and others are planmog for next year, and which Washington hopes will help the Philippines to reduce its external debt.

The negotiations are technically a review of the US-Philip pine base agreement which willexpire in 1991. Once the review has ended, talks will begin on the more complex question of the longer-term future of the bases.

The US was anxious to preserve full use of its bases, one of the most important set of US military facilities oversess. The Philippines - a former US col-ony which is making a difficult transition to democracy - was determined to stress its own national sovereignty.
Yesterday the Philippines

government appeared to suggest that the accord, due to signed by Mr George Shultz, US Secretary of State, and Mr Raul Manglapus, Philippine Foreign Minister, increases the likelihood that the bases will stay after 1991.

Since she ran for the presidency in 1985, Mrs Aquino has kept her options open on the future of the bases.

### Taiwan eases rules on margin borrowing

By Bob King in Taipel IN AN attempt to halt tumbling share prices, the Taiwan Government on Friday raised by 10 percentage points the amount stock investors may borrow on margin. But if Saturday's performance on the exchange is any indication, the move will do little or nothing to stop the index's free fall.

investors may now borrow on margin 50 per cent of blue-chip stocks and 40 per cent of so-called second-tier shares, up from 40 and 30 per Margin limits on certain

other popular shares, which had been set lower, were also ed by 10 points Despite the added sweeteners, which the Government clearly introduced to prop up the sagging market, the index fell for the 14th consecutive

day on Saturday, closing down 177.19 points at 6,251.56. • A dispute between citizens and the Government over pol-lution at a big industrial com-plex in southern Taiwan was settled at the weekend.

The dispute threatened to disrupt supplies of raw materi-

als to a quarter of Taiwan's

downstream industry.

"YOU NOW have a right to apply for legal aid," said Judge Hill, smiling at eight subdued, man tomorrow, and on Thursday there should be a new young chief executive, Mr Francis Yuen of Citicorp, a US-educated local Chinese with a Hong Kong banking back-ground. This will all change the exchange out of all recogni-

in response to the charges. The target of this unexpecied irony last Friday was Mr Ronald Li. once-ebullient. once-chairman of the stock exchange who now looks tense and drawn, and seven of his colleagues. Between them they executive. face corruption charges on 13

The event marked the beginning of seven days of develop-ments designed to launch the exchange into a modern and less buccaneering future, one year after the world stock tum-ble led the Hong Kong market-to close for four days. That closure triggered long-overdue government inquiries, corrup-tion charges and current

prosperous-looking men, all

former prominent local offi-cials of the Hong Kong Stock Exchange, standing in the col-

ony's central magistrates'

court. Lawyers and journalists

roared with laughter. One or

two of the accused smiled slightly, but none applied for aid.

They have yet to enter pleas

Elections, in which all candi-dates have been officially vetted, take place today for a new stock exchange council. This will give international broking firms seats for the first time. Sir Quo-wei Li, chairman of

the respected local Hang Seng start of his high-profile corrup-Bank, is to be appointed chair-tion case last Friday till March

tion case last Friday till March 29, to allow time for documents to be translated into Chinese and for more inquiries in the UK, Australia and Canada, as well as in Hong Kong.

The delay also ensures that

Hong Kong stands by to repel buccaneers

the allegations of improper allocation of share issues in

weeks and months of the new

regime at the stock exchange.

ern regulatory standards. For example, insider dealing is still

not a criminal offence. The

stock exchange fixed issue

prices, often artificially low,

The changes are aimed at ensuring that the Hong Kong stock exchange never again incurs condemnation

tion," said Mr Robert Fell, the exchange's temporary chief

There will be legislation this year for a new watch-dog Secu-rities and Futures Commission, to be headed by Mr Robert Owen, a former British diplo-mat and banker.

The changes are aimed to ensure that the exchange never again qualifies for the condemnation in an official report four months ago by Mr Ian Hay Davison, former Lloyd's of London chief executive: "An inside group treated the exchange as a private club, rather than public utility". Executive staff were "ineffective" and "insufficiently independent of the governing com-

Judge Hill adjourned the

That was in the heyday of the Hong Kong exchange, which reached peak dealing levels of more than HK\$3bn (£224m) a day this time last year, with the local Hang Seng index approaching 4,000. The index slumped to les than 2,000 and Hong Kong became one and Hong Kong became one Asia's worst performers. On Friday it closed at only 2,593 major companies, such as Cathay Pacific Airways and the Japanese Kumagai Gumi's

after one of its better weeks.

Last month the dealings local contracting company, which also touch merchant banks such as Citicorp, Warwere down to as little as HK\$230m a day, although they picked up a little to more than HK\$1bn one day last week. Much of the fall has been due to the world slump in trading, dley and Baring, do not dominate headlines and complicate developments during the early but there is also a domestic angle as regards the four-day closure last October and subse-By next March the new regime should be fully operational. Hong Kong's stock market quent scandals, as well as political uncertainty before the used to be regarded around the world as a casino where flexi-ble oriental habits bent westcolony reverts to Chinese rule

those receiving share issues. The basis of the charges

brought by Hong Kong's Inde-pendent Commission against

Corruption is that Mr Li and

the other defendants illegally

received preferential alloca-

tions of share issues and

underwriting subcontracts.

in 1997. The Hay Davison report said that Hong Kong should "aim to become the pre-eminent capital market in south-east Asia and, to that end, should see the prossive internationalisation of gressive mternationausation of its securities markets as an which led to heavy over-sub-scriptions and quick profits for important strategic objective".

John Elliott examines moves to tighten regulations at a volatile stock exchange about whether Hong Kong can develop into more than a centre that serves itself and the industrialisation of southern

Some of the new people who will be running the exchange are convinced that Hong Kong will develop anyway because of the forces of growing stock market internationalisation, and because of international

telecommunications develop-Electronics will also help in other ways - computerisation of Hong Kong's clearing and settlements system, now basi-cally manual, is a top priority Even so, there are basic con-cerns about whether there will be a continuing will to catch such buccaneers, and whether western-style regulation will frighten away the local inves-tors who provide the market with its basic liquidity. My Fell believes there is room both for the international institutions and for the small local investors indulging the their tradi-tional Chinese love of gambl-

Such issues lead back to the local notions about flexible regulation and what is and is not corrupt. The job of the new team now taking over is to find

ing, but he and others are worried that the new watch-

dog commission will be over-



### Brazilian business seeks anti-inflationary action

By Ivo Dawnay in Rio de Janeiro

FEARS of a sudden surge in Brazil's aiready record inflation rate are putting intense pressure on the government to launch a new economic pack-

Rconomists and businessmen are agreeing increasingly that the "rice and beans" (staple dish of the Brazilian poor) austerity programme of Mr Mailson da Nobrega, Finance Minister, is proving inadequate to tackle price inflation expected to exceed 27 per cent this

The marked deterioration in expectations follows a panic in the financial markets last week when the central bank imposed a shock rise in overnight intert rates, lifting monthly interest from 39 per-cent to 50 per

The move, which was simed at reversing a general retreat by savers from cruzado-denom-inated assets, triggered a 7 per ues before it was hurriedly

The minister dismissed the

central bank director responsible and fiercely criticised the handling of the interest rate rise. However, he has since conceded that the reasons for the effort to improve the attractiveness of government

paper were correct. investors are turning to gold, dollars or real estate to protect their funds, while the inflationary surge is also believed to be lifting retail sales as consum-ers advance planned pur-

The growing anxiety over inflation has overshadowed more positive indicators that have shown a 4.3 per cent rise in industrial production, a fall in unemployment and a climbing trade surplus.

Cacex, the federal trade agency, is now forecasting a record \$18bn surplus for the year, September exports hav-ing showed a \$1.9bn margin over imports. However, there is concern that the increase in production costs are outpacing the cruzado's daily devalua-

Centromin, Southern Peru and

Hierroperu companies, plus the refinery workers of the copper mines at Ilo and the zinc mine

at Cajamarquilla, have all joined the strike. The National Mining and

Petroleum Society said the

strike was "illegal, with politi-cal and destabilising motives."

tives of the transporters' association and government offi-cials have failed to reach

agreement on new fare levels

in two weeks of negotiation. Inter-provincial transporters

week, leaving Peruvians and foreigners stranded throughout

en on strike since last

As for transport, represen

### Peruvian miners strike

By Veronica Barullati in Lima

MORE THAN 60,000 Peruvian miners started an indefinite strike last night. They are demanding the Government fulfil the agreement reached at the end of their last general strike 60 days ago, which ran 29 days and cost more than

\$140m in export revenue Today, an indefinite national transport strike is to hit Peru and may herald the onset of another flurry of price rises and industrial unrest.

Two months ago, the Gov-ernment laid down the rules for collective bargaining over the miners' national demands. This remains a dead letter and Mr Moises Palomino Salcedo, chairman of the miners' union federation, claimed that they are worse off now than ever.

He said that miners at the

the country.

In Lima, the Government is expected to ask for military vehicles. Chile opposition | Ershad pledges

candidate By Barbara Durr in Sandago

to have one

CHILE'S 16-party opposition coalition has stated it is to field a single candidate in the presidential election due in ecember 1989. Meanwhile, according to a

member of the four-man ruling military junta and to diplomats, the military wants to distance itself from President Augusto Pinochet and leave government gradually. The junta member said that there is discontent in the army. Commanders met last week to decide on retirements and promotions, which are expected to reflect the erosion of Gen Pinochet's influence. According to the junta member, some in the army high command asked for his resig-

mander in chief. Many of Gen Pinochet's civilian supporters have made clear that they would not support a presidential re-election bid.

nation as the service's com-

### flood control volunteer work By John Ridding

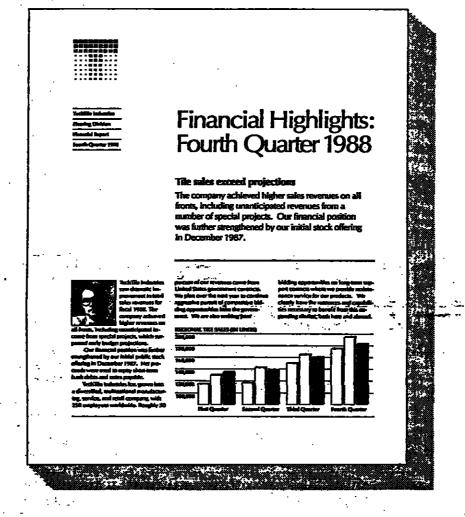
PRESIDENT Ershad of Bangladesh has announced measures to reduce his country's valuerability to floods, ch this year have killed an estimated 3,000 people and left millions homeless.

The president stressed to parliament yesterday the need for regional efforts to attack the causes of the flooding, which he described as a

"man-made curse". The key elements of the pro-posals include the dredging of rivers and the construction of a system of canals and embankments. The work would be carried out by teams of volunteers drawn largely from among Bangladesh's

unemployed.

The dredging is regarded by experts as particularly impor tant. Heavy monsoons this year carried millions of tons of silt downstream into Bangia



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# Britain leads opposition to European company statute

A Brussels plan involving workers' rights is likely to divide EC members, employers and trade unions, Will Dawkins reports

UROPEAN Governments, employers and trade unions are drawing up battle lines for some UROPEAN Governfundamental decisions about the rights of workers in the shaping of the internal market. Member states started to lay

out their opening positions at a meeting of Internal Market Ministers in Luxembourg on Friday, and it looks as if they will end up far apart. The immediate issue they

have to sort out is how to react to a controversial European Commission plan for a European company statute, an alternative to registering under national law to be offered as an option to businesses staging cross-frontier mergers, and one which would lay down certain minimum standards of worker consultation.

Brussels wants a clear response by the end of the year at the latest. Mrs Vasso Papandreou, the Greek Minister chairing last week's meeting, is determined to bring the issue to a head at the next internal market ministerial session next month.

The signs are that the French and Italians are lining up with the Commission, while the UK is again playing the role of the EC's unresolved states scattered somewhere in

between Unice, the European employers' federation, fears the proposed statute could be a bureaucratic brake on its members' competitiveness, while the ETUC, its union counter-part, fears the Commission is

not doing enough.

Some diplomats warn this could prompt a row to surface at the next summit of EC heads of state and government in Rhodes in December.

All involved know this is only the start of a much wider battle. There is a lot more at stake here than the pros and cons of a European company

Mr Jacques Delors, Commission President, has long said the internal market plan could hit trouble if Europe's workforce sees its interests being overlooked in the rush to 1992. He unveiled this scheme just before last June's Hanover summit, as his first concrete step towards putting this so-called "social dimension" into the internal market programme, which is otherwise business-oriented.

As such, the company statute is an important part of Mr Delors's personal manifesto as Commission chief for the next four years. It is also part of an as yet ill-defined package of forthcoming Commission pro-posals to do with health and safety standards, training, work mobility and other rights - and the outcome of this battle will influence the rest. The move has attracted instant and high-profile deri-

EUROPEAN MARKET

sion from Mrs Margaret Thatcher, who has warned against "social engineering" and condemned moves towards European corporatism in her speech against European feder-alism recently in the Belgian city of Bruges.

So what exactly is all the has about? The whole question of the EC's attempts to influence workers' participation in company decisions has a long and painful history. The ideas for a company statute now on the table are a toned-down version of a regulation first floated by Brussels 18 years ago, and shelved in 1982 when national officials could make no more progress.

Among other unsuccessful

attempts to tackle the same subject are the 1980 Vredeling directive, which almed to increase employee involvement in company decision-making and which has been in effect abandoned under intense oppo-sition from employers' organisations. There is also the so-called fifth directive on company law, whose attempt to provide for worker participation at board level has also got

nowhere.

The revived company statute would be an optional rather than obligatory legal form for companies merging across boundaries. Employers should welcome it, says the Commission, because it would fill an important gap: the lack of any EC legal backing for cross-frontier mergers. At present mergers tier mergers. At present, merg-ers have to adopt the company law of one of the member states involved in the marriage, a considerable complica-tion for the one which ends up as the foreign partner.

The company statute would allow them to adopt a Euro-pean law independently of national ones. As an extra carrot, the Commission suggests tax losses should be transferable, so that a merged group could, for instance, use Portuguese losses to reduce its Britsh taxable income.

adopt the statute, the Commission is proposing that they should have to choose one of three models of worker participation of varying strength. There is the West German style of co-determination, where workers elect between a third and a half of the members of a supervisory board. The middle way is the system of internal employee councils, separate from the main management, as used in Belgium, France and Italy. For the suftest option, the Commission is offering Scandinavian-style collective bargaining, where

While no EC Government has officially declared its hand on the plan, it is clear that the issues which will divide them are as deeply felt as on previ-ous attempts to improve industrial democracy at an BC level. To complicate things further, several member states feel the plan, now in the form of a secret consultative document, leaves so many important questions unanswered that

workers are represented through collectively agreed

they cannot give a firm view. Whatever we think of the principles, none of us like the document, admitted one document, admitted one national official from an otherwise supportive member state.

At one end of the spectrum lies France, which actually launched the idea of a European company structure in the 1960s and encouraged the Com-mission to turn it into the proposal which has had so little



es Delocs: aiming at a success since then. For Paris, as for Rome, the scheme appears to be a political prior-ity, though the findings think there should be even more options for different kinds of worker participation than being proposed by Brussels. Mr Antonio La Pergola, the Hallen European Affairs Minister, insists that "this is an indis-pensable part of the internal

market programme and must he adopted". The liberal Netherlands looks set to follow, in the light of its own tradition of worker representation, though its pow-

erful multinationals have yet to put forward their opinion. The West German position is more complex. Mr Martin Bangemann, Bonn's Economics
Minister, emerged from Friday's meeting warning that it
was impossible to respond
without a great deal more
information about the Commis-

sion's thinking.

These include whether or not the EC company statute would take precedence over national law, an encesoived question which has also clouded the Commission's attempts to form EC-wide rules against mergers that distort competition. That is related to a host of other questions about which country's tax rules would take precedence in an EC company, a concern veiced by most member states.

The national law question matters especially to Bonn. because the last thing it wents is for West German companies to use the statute to evade the country's high national stan-dards of worker participation. In general, West German employers and amous are keen on anything that will calm

their fears that a barrier-free Europe will allow jobs and business to move more easily from the north to less-regu from the north to less-regu-lated, low-cost southern coun-tries. That could give Bonn a double interest in seeing a stat-uie that encourages high levels of worker participation.

Among the potential doubt-ers, Dublin is undecided, but eastless to sense the risk of

anxious to evert the risk of making undesirably tough rules on industrial democracy for US companies, on which heland depends for so much inward investment.

Britain requains the only member state to voice serious doubts on the principle, as opposed to the detail, of the plan. Mr. Forncia Maude, the plan Mr Francis Mauce, the Junior Trade and Industry Minister, told his SC col-leagues lest week that the ini-tial response from British industry was that the plan was irrelevant to their needs, so they would probably ignore it. The UK view is that this could he in energously complex piece of legislation which is just not worth the effort. The Commission plant to answer that objection in the new paper it is preparing on the EC com-pany statute, which will form the contreplets of what promises to be a tough second round rights next month.

# Finnish rulers lose ground in polls

By Olli Virtanen in Helsinki

FINLAND's municipal elections, which opened yesterday and close tomorrow evening, are the first real test of the popu-larity of the right-left coalition cabinet set up 18 months ago.

Popular reaction to going to the polls for the third time in 18 months - after parlia-mentary and presidential elections - has been somewhat jaded. The turnout is expected to be about 70 per cent, high by most European standards but considerably lower than the last round in 1984.

According to the latest opinion polls, the biggest loser will be the Social Democratic Party (SDP), while its main partner in the cabinet, the Conservative Party (Kokoomus) will probably also lose, although less than the SDP.

Voters will elect a total of 12,600 members for each of Finland's 444 city and rural councils. Although local politics usually dominate the agenda, many voters while, the leading opposition force, the will undoubtedly choose to vote for or against the present Government, particu-

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larly on such recent measures as the stabilisation package and tax reform.

The SDP is struggling to maintain its position as the country's biggest party. The latest polls predict it will get 23.2 per cent of the popular vote nationwide, down 1.5 points from municipal elections in 1984

and 0.9 points less than in the parliamen-tary elections in March 1987.

The SDP has suffered from the change of leadership. Neither the chairman. Mr Pertti Paasio, nor the party secretary, Mrs Ulpu livari, is a member of the cabinet and they often find themselves at odds with their predecessors, Foreign Minister Mr Kalevi Sorsa and Finance Minister Mr Erkki Liikanen.

The opinion polls show the Conserva-tives hot on the heels of their cabinet colleagues with 22.7 per cent, down 0.3 points from the municipal elections. Mean-

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almost 2 points from the parliamentary elections. With an expected 19.4 per cent of the votes, the party will challenge the dominance of the SDP and the Conserva-

Although its roots are mainly in agrarian Finland, the Centre Party has now began a drive to penetrate the country's cities. The party chairman, Mr Pasvo Väyrynen, is now a candidate for the Hei city council for the first time and is expected to win a seat,

Sixteen political parties and a number of unregistered groups have named candidates for the elections. Of the smaller parties, the Communists have solit into three factions and will together win about 15 per cent of the votes, while the Greens, in two factions, are expected to receive 4.5 per cent between them.

No big changes are expected in local politics as a result of the elections, but analysts predict a light rap on the Governmeni's wrist.

### **Hungary** to press US over import curbs

By James Biltz

mr John Whitehead, US Deputy Secretary of State, is visiting Budapest for talks during which the Hungarians are expected to put great stress on the difficulty of importing high-technology goods from the West because of CoCom restrictions.

Goods listed by CoCom cannot be exported to East European countries because of

pean capitals, is due to hold talks today with Mr Karoly Grosz, the Prime Minister, and senior officials.

Mr Laszlo Kovacs, Vice-Minecign Affairs, toid a group of foreign journalists that Hangary did not expect "generally different treatment" on the CoCom Issue, because of its membership of the Warsaw Pact. However, he said he hoped the country will be facilitated with more preferential treatment in some

Hungarian economists Hungarian economists
believe the permission to
import some high-technology
goods currently prohibited
will be essential to the
restructuring of the economy
Mr Kovats said the Hungarians would tell Mr Whitehead
that they were keen on further
processes in economic relations progress in economic relations with the US. "Hungary would like to see more US capital invested here and more joint

ventures set up."
The Government also wants to look into the possibility of setting up a representative office on the US West Coast.

### Seoul, Moscow in trade talks

DIRECT trade relations between the Soviet Union and South Korea moved closer at the weekend, when the two sides signed a memorandum on further co-operation, Mag-gie Ford writes from Seoul. Discussions on exchanging trade offices, businessmen's visits and reciprocal participa-tion in trade fairs are expected to be settled when a South Korean delegation visits Moscow in December. The two countries have no diplomatic relations but contacts have accelerated since

# their military sensitivity. Mr Whitehead, on the latest stage of his tour of East Euro-

ng Bast-West relations. now, even though the individ-Without naming Germany, and components pass surster.

bet CoCons should be comletely restructured.

However, there was no sign

Man.

Mendt, who is to visit west Germany this week, said the US was not copeed to an increase in East-West trade. pletely restructured.

# US resists pressure to ease CoCom restrictions

By Peter Montagnon, World Trade Editor

WESTERN governments cannot afford to relax their efforts to prevent sensitive technology reaching the Soviet bloc, despite glaspost and perestralka, a senior US State Department official said in

The basic relationship between the Soviet Union and the West remains an adversarial one, said Mr Allan Wendt, the department official respon-sible for strategic technology

policy. His remarks seem intended to pre-empt pressure, particularly from West Germany, for a relaxation of the restraints applied by the 16-nation Go-ordinating Committee on Multi-lateral Export Controls (CoCom) in the light of improv-

Mr Wendt said suggestions by said. were being made in Europe that CoCom should be com-

that the Soviet Union had ceased its efforts to acquire Western fectualogy, or that it had reduced its defence badget, and there was no relaxation in conventional arms

We have to approach our relationship with the Soviets realistically and prudently. We can't confine hopes and expec-tations with realities," he said. It would be necessary, he added, for CoCom to mounter closely arrangements for joint ventures between the Soviet Union and Western companies because these involved an ongoing relationship rather

than a one off sale.

"You could give them [the Soviets] a manufacturing capacity that they don't have

indeed that would be in the interest of its own exporters.

Items covered by CoCom
relativity narrow spectrum of
the overall trade relationship.

Moreover, the US was committed to the process under
way in CoCom of streamlining

the list of restricted items to sentous obsolete curbs. By the time of CoCom's exec-

By the time of CoCom's executive committee meeting in Paris at the end of this mouth it would have agreed to climinate some two-thirds of the items in the least sensitive list of products which can be sold to the Seviet bloc on the basis of national discretion rather than by a warned that in the spirit of detents "people; may be getting about of the probe getting abased of the pro-cess. The West and a techno-logical last ever the Soviet Union. CoCom was not an attachronism and had to be maintained to safeguard princed mornity.

# Foreign ministers split over response to East bloc reform

By Andriana lerodiaconou in Icannina

FUNDAMENTAL differences of approach on how the European Community should respond to the reform process set in motion in the East bloc by Mr Mikhail Gorbachev, the Soviet leader, emerged during an informal weekend meeting of EC foreign ministers in the north Greek town of Ioannina. The meeting welcomed developments so far, however, and endorsed a proposal by Mr Leo Tindemanns, the Belgian Foreign Minister, that the 12 try to formulate a framework

document defining the EC's position towards the East bloc, for discussion at the Rhodes summit at the beginning of December

In addition, the presidency was charged with preparing a similar document for presenta-tion at the close of the Conference on Security and Co-opera-tion in Europe (CSCE) in Vienna, while the European Commission has undertaken to draft a third text on economic relations between the EC and the Comecon.
It was a very successful

meeting. The 12 judged that recent developments in the Soviet Union and the East bloc

countries dictate a positive response," Mr Karolos Papou-lias, the Greek Foreign Minis-ter, said on behalf of the presi-

Nevertheless the informal weekend talks brought to light two schools of thought in the EC on future handling of East-West relations.

The first, represented by the UK and Portugal, regards developments so far in the east bloc as positive, but counsels a wait-and-see attitude by the

It was argued that the future of the Gorbachev reforms was still uncertain, that it would not be politic for the West to up to reward them, and that the Soviet leader must not be allowed to capture the moral high ground from the West. "Recent developments in

"Recent developments in Moscow are not at all irreversible," Sir Geoffrey Howe, the British Foreign Secretary, was quoted as saying.

Reflecting the views of the second school of thought, Mr Hans Dietrich Genscher, the West Garman Foreign Ministra West German Foreign Minis-ter, reportedly argued that the changes set in motion by Mr Gorbachev served Western

bachev in Moscow.

Accordingly, the 12 remained divided on the Soviet proposal for a 1991 conference on human rights in Moscow, one of the items in the complex CSCE discussions. CSCE discussions.
On Chile, it was decided that the EC should encourage the formation of an opposition par-

interests and deserved immedi-

Soviets to become Victorians before reacting," Mr Giulio Andreotti, the Italian Poreign Minister, reportedly told Sir.

Geoffrey after meetings his Soviet counterpart and Mr Cor-

ate support.

avoid heavy-handed interference, which might prove count-er-productive, in post-plebiscite Turning to the Middle East, ministers felt the Community must formulate an advance position on how it would respond to the formation of a Palestinian government in

ties' front, while taking care to

exile. The meeting brushed saids the possibility of a meeting with Mr Yassir Arafat, the Pal-

estinian Liberation Organisation chairman

### SHIPPING REPORT

the Seoul Olympic Games.

### Opec disarray leaves tanker trade volatile

By Terry Dodsworth

CONFUSION in the oil market as a result of the disarray in the Organisation of Petroleum Exporting Countries led to volatile conditions in the tanker trade last week. But although demand fell away from the extremely buoyant levels of the previous week, contract prices for very large and ultra large carriers held up to previously

established levels.

According to E A Gibson
Shipbrokers, a very large carrier from the Gulf was chartered to the West at Worldscale 52%, while a 240,000-ton vessel was fixed at Worldscale 62% for a voyage to Taiwan.

Smaller vessels of between 70,000 and 140,000 tons were in heavier demand, with a 90,000-ton cargo to New Zealand fixed at Worldscale 72%, and a 125,000-ton vessel achieving Worldscale 81 for the trip to the Mediterranean. Stronger market conditions

emerged during the week for tonnage operating out of Indonesia and West Africa. Most activity in the West African trade was concentrated on vessels in the 125,000-ton category, where present rates stand at Worldscale 65 for the Caribbean, Worldscale 67% for the US, and Worldscale 70 for the Continent

The North Sea trade, on the other hand, is showing only faint signs of revival after sev-eral weeks of depression. Gal-braith's, the shipbroker, says the most recent contract was arranged at Worldscale 72.5 for 78,900 tons from Sullom Voe to

### Third World environmental move

THE UN's International Fund for Agricultural Development, which helps the Third World's rural poor, has decided to build environmental protection pre-cautions into its 1989 projects because of fears that poverty is

now accelerating environmental degradation, John Wyles writes from Rome.

Representatives from 37 countries and various organisations have given strong support to the new Had approach.

	TRADE	STATIS	TICS		
		Aug'88	July '88	June '85	Aug '87
JS (Sbn)	exports -	27,548	26,516	· 26.283	20.884
	Imports	39,721	35,989	39,499	35,962
	patence -	- 12,175.	-9,473	- 13,216	- 15.078
apan (US\$bn)	800oorte	21,850	21.670	21,250	18.582
	imports	14,322	14.433	15,070	11.618
The second second	balance	+7.528	+7.237		+6.964
K (Ebri)	exports	6.748		+6.180	
			6.775	6.837	6,586
	imports	8.561	9.427	8.378	8.042
	balance	<b>- 1.813</b>	-2.651	- 1.541	- 1,458
f Germany (Dalba)	exports	49.590	49.470	48.610	43,400
	Imports	38.280	. 37.190	35.620	34,500
· .	balance	+11.330	+12.280	+14.190	+8.900
rance (FFrbn)	exports	81.693	81.815		76.270
- 74	imports	90.656	85.827		
	belance	-8.963	-4.012	85.438	77.710
		0.000	_4.012	- 1.364	1,440

# THE 1990 ROLEX AWARDS FOR ENTERPRISE

# Do you have the true spirit of enterprise?



RODNEY JACKSON (USA) Radio-tracking the snow leopard to expand our knowledge of the ecology of this endangered animal.

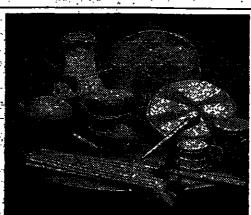
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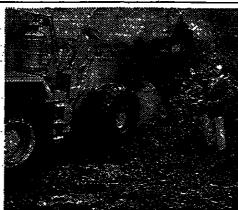
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EDUARDO LLERENAS (Mexico) Establishing an accurate record of traditional folk music in the remote parts of Mexico.



ANDRE MARTIN (France) Clearing forest undergrowth to reduce fire risk, and composting it into a commercial fertiliser.



SEYMOUR MELMAN (USA) An exploration of methods to convert industrial economies from military to civilian work.



MILAN MIRKOVIC (Australia) Desert cultivation of the jojoba plant, which produces an alternative oil to that of the endangered sperm whale.





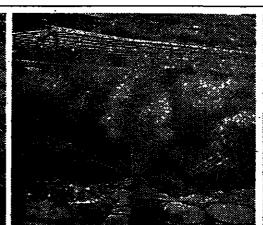
MARTINE FEITWEIS-VIENOT (France) Continuing a painstaking inventory of Mayan wall paintings created between the 3rd and 15th centuries.



KENNETH HANKINSON (UK) A thorough biological and geological survey of the unexplored Brabant Island in Antarctica.



DONALD PERRY (USA) Conceiving a special device with a "spider's web" so biologists can safely rch the canopy of tropical rain forests



THEAN SOO TEE (Malaysia) Cultivating asparagus plants on Mt. Kinabahi to inhibit soil erosion and yield a high-value crop for local farmers.



MICHEL TERRASSE (France) Repopulating the Massif Central area of France with the griffon vulture, following its extermination.

1987



JACQUES AUTRAN (France) Salvaging and equipping a boat to take medical aid and health education to island-dwellers in the Indian Ocean.



STEPHEN W. KRESS (USA) Exploiting "natal-site tenacity" to here ngered scabirds back to their birth places to breed.



PIERRE MORVAN (France) Studying the effects of geographical isolation on the formation of different species among ground beetles in Nepal.



NANCY NASH (Hong Kong) Using Buddhist teachings that emphasize the interdependence of man and nature to promote nature conservation in Thailand.



JOHAN REINHARD (Peru) Studying Andean mountain-top ceremonial sites, to shed light on pre-Columbian religious beliefs and economic structures.

The Rolex Awards for Enterprise were inaugurated in 1976 with a single aim: "To encourage the spirit of enterprise in individuals throughout the world by acknowledging outstanding personal contributions made in selected categories of human endeavour". The qualities that the Awards set out to honour are the very ones that have long been shown by Rolex and by Rolex owners.

Rolex now takes pride in announcing a further 250,000 Swiss Francs and five specially inscribed gold Rolex chronometers, to be divided equally among five self-motivated people who have developed projects displaying the most outstanding spirit of enterprise.

### AREAS OF ENTERPRISE.

Projects may be submitted in one of three categories: Applied Sciences and Invention; Exploration and Discovery; The Environment. Within these three broad categories, the Selection Committee will be looking for projects that display a spirit of enterprise, together with originality and the likelihood of realisation.

The brief descriptions of winning projects from earlier years demonstrate the kind of enterprise that has impressed previous Selection Committees. The members of the current Committee are equally distinguished and will be applying the same criteria as their predecessors. If your scheme falls outside the Committee's area of expertise, Rolex will call on

specialists around the world to advise on the merits of a particular case.

A hardback book about the Awards will be published, entitled "Spirit of Enterprise - The 1990 Rolex Awards", richly illustrated in colour. It will contain details of some of the most fascinating, stimulating and challenging ideas submitted by people throughout the world.

The publicity given to projects by previous editions has often led to additional support from a wide range of sources.

### HOW TO APPLY.

Your entry must be submitted in English, type-

es Rolex S.A., Gene

es, Worldwide Fund for Nature (WWF). d E. Lankey (Kenya). Director/Chief Executive of the National Mus Dr. Joe B. Machinis (Canada). President of Undersea Research Inc.

Policy Studies John Rawlins KHE, FRCE, FRA-S (Great Britain). Surgeon Vice-Admiral ( at of the Society for Underwater Technology: Chairman of Deep Ocean Tec oko (Indonesia). Rormer Rector, United Nations University, Tokyo.

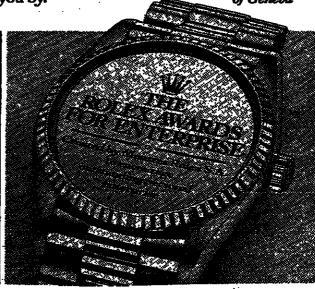
and Vilain (France). Head of Department at the Bos and Founder of "S.O.S. Main."

written on an Official Application Form and reach the Secretariat before 31 March 1989.

To obtain an official form for the 1990 Rolex Awards for Enterprise, together with the rules and conditions for entry, write to: The Secretariat, The Rolex Awards for Enterprise, PO Box 178, 1211 Geneva 26, Switzerland.

The Awards will be presented to the Laureates in Geneva at the end of April 1990.

If you possess originality, imagination and initiative, you will not let this opportunity pass you by.

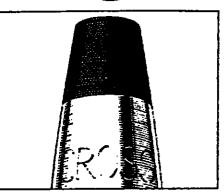


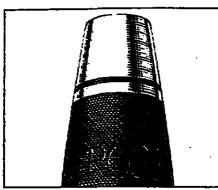
### THE 1990 SELECTION COMMITTEE

o Okita (Japan) Chairman of the Insti

Vallejo-Négera (Spain). Former Professor of Psyc at the Complutense University of Madrid

Mr. Don Walsh (USA). President of International Maritime Incorpora





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### **CHINA**

The Financial Times proposes to publish a Survey on the above on

12th December 1988

For a full editorial synopsis and advertisement details, please contact:

Simon Timmis

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Bracken House, 10 Cannon Street London EC4P 4BY.

**FINANCIAL TIMES** 

### UK NEWS

# attempt to block N Sea monopoly

A MONOPOLIES and Mergers Commission report on British Gas will this week recommend the corporation be prevented from buying up the whole out-put of North Sea gas fields. The Government is expected

to endorse the recommendation despite opposition from oil companies,

The report suggests that when gas fields are developed, oil companies should be obliged to offer 10 per cent of the output to a company other than British Gas. This could be a sale to an industrial consumer or a broker who would sell the gas to industrial cli-

Under the terms of its monopoly licence. British Gas will be obliged to offer the use of its pipelines to other parties at a reasonable charge. It will also be obliged to offer backup symbles at a reasonable back-up supplies at a reason-able charge to consumers con-

tracting directly with a North Sea producer. The inquiry was ordered after a group of energy users complained British Gas had been charging excessive prices following the collapse of oil

prices in 1986. British Gas was obliged to lower prices to industrial customers which could use alternative fuel, particularly oil, but it was reluctant to cut prices to companies which had no alter-

native supply.

The Monopolies Commission

report is likely to emphasise the desirability of more compe-tition in the industrial gas market, which might be encouraged by the 19 per cent rule. Since British Gas pays only about 13p to 14p per therm to oil companies, but charges about 34p to industrial customers, it is thought there is plenty of room for profitable

entrepreneurship.
However, the major oil comanies, including Shell and British Petroleum, have warned the Government that warned the Government that when calculating the economics of a new gas field, they must be sure they can sell all the gas they produce.

The present arrangement in which British Gas is sole purchaser is therefore convenient for them, and they have said the present who was the purchaser.

the 10 per cent rule would push up the cost of gas unless they could find a secure purchaser for the residue.

The report is also likely to recommend British Gas publish a schedule of prices in the industrial market to help com-petition become established.

It will also endorse the view of Mr James McKinnon director of the Office of Gas Supply, that the company should be required to publish separate accounts for its regulated and non-regulated business.

The report is likely to strengthen Mr McKinnon's role in supervising the industrial

### Police prepare to search Piper Alpha module

THE HUGE accommodation module of the Piper Alpha oil rig was hauled from the North Sea this weekend as police pre-pare to search for 112 bodies still missing after the world's worst oilfield disaster, AP reports from Aberdeen.

In silence and gathering fog. the 1,000-ton steel structure emerged from the sea, water pouring from drainage holes drilled in its sides by divers.

After the explosion which killed 167 oil workers on July 6, the module sank to 156 metres beneath the surface. There were no cheers, only relief among the 400 offshore workers who took part in the operation, 190km off the north-east coast of Scotland.
A spokesman for Occidental

owner of the oil platform, said the module would be pulled to the Orkney islands, off northern Scotland.

Some 40 police officers will then begin the search for bod-

# British Gas faces UK retailers confident despite slowdown in sales growth

By Ratch Atkins, Economics Staff

BRITISH retailers report sales growth has slowed from sum-mer peaks but it remains strong, according to a survey published today.

The Confederation of British

Industry/Financial Times distributive trades survey shows retailers are confident about buoyant sales growth this

They report growth in September was rapid but fell short of expeciations.

The results suggest the steep rise in interest rates since May may have begun to affect consumer spending - although the full impact will probably not be seen for some months. The survey shows 66 per cent of retailers said sales vol-umes last month were higher than the same month a year efore and 12 per cent said

they were lower.

The percentage reporting higher sales volumes, minus

the proportion reporting a fall, was slightly less than in each of the four months May to August. But it was higher than

August, but it was lagner than in February, March or April.
Mr Nigel Whittaker, chairman of the survey panel, said:
"We are now seeing the edge coming off the strong retail growth seen over the summer."
He added: "With sales growth showing some modera-tion in September, the impact of higher mortgage rates may have already started to feed

"A greater impact is likely after October's mortgage rate

For October, 62 per cent expect sales to be higher than the corresponding month a year before and 7 per cent

expect a fall.

Although pointing to continuing buoyant growth, this was less optimistic than for any month since June.

The results show sales by motor traders in September were higher than the corresponding month a year before.

The rate of growth was lower than expected, however, and much less than in August. The survey comes as a prelude to government figures today for retail sales volumes

in September. Analysts expect these to show a small rise after no

change in Angust.
The CBI/FT survey shows shops most positive about sales in September included retailers of household textiles, furniture

and carpets.

This is probably a delayed effect of buoyant activity in the housing number.

The survey also shows wholesalers reported particu-

wholesalers reported particu-larly strong sains growth in September and are optimistic about trade in October. Survey, Page 11

### TUC moves on training plan

By Charles Leadbeater, Labour Correspondent

THE TUC will this week attempt to limit the effect of union opposition to Employment Training, the Government programme for the

long-term unemployed.

The move, to be made at a Trades Union Congress meeting on Wednesday, will pro-voke sharp disagreements over how the TUC should implement its policy of non co-opera-

A report written by a joint

meeting of the TUC's education and training, and employment, policy and organisation committees, suggests individual unions should decide whether to participate in the scheme. The report suggests unions

should be advised to "take account" of the TUC's decision to institute a policy of non co-operation. It also outlines a range of situations in which unions could become involved

The preposal that unions should be allowed a measure of discretion over their involvement with the programma will be strongly opposed by left-wing unions led by the TGWU,

general workers union.

The committee meetings fol-lowed disagreements between union leaders at the TUC's annual congress in September, after the vote to withdraw support from ET and institute a policy of non co-operation.

# Bid to highlight jobless scheme

THE GOVERNMENT'S Restart counselling programme for the long-term unemployed is to be targeted at people who could join the Employment Training (ET) scheme for the adult unemployed, according to a confidential Department of Employment circular, writes Charles Leadbeater.

The circular, which sets out guidelines for government employment agencies and Unemployment Benefit Offices, says the first priority for Restart follow-up interviews should be to ensure that all those eligible are offered a

place on Employment Train-The second priority is to find

out why people who accepted a place on the scheme did not piace on the Critics of Employment Tesin-

ing will argue the guidelines are evidence that the Government intends to put greater pressure on the tmanufoyed to take up places on the scheme.

Employment intuisters have repeatedly said that while the ET scheme would be discussed at Restart interviews, no one who is unemployed would lose benefits solely as a result of

Everyone on the unemployment register for more than six mosths is called to a Restart interview, at which advice is given about Covernment programmes which could lead to work.

Interviewees are warned that if they repeatedly fail to attend the interview their benefit may be withdrawn. The interviews are also used in assess claimants' eligibility for social secu-

The guidelines cover Restart interviews for people who have already been interviewed once.

# CONFERENCES

# **Professional Personal Computers** in the 90s

### London, 31 October & 1 November, 1988

The professional personal computer industry is at a watershed. A series of significant issues, both technical and commercial and chiefly connected with industry standards, are now being debated and resolved in ways which will affect the shape and direction of the industry for the foreseeable future.

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### Pressure for tax changes on share-ownership plans

By Jimmy Burns

THE GOVERNMENT is facing. pressure to make Employee Share-Ownership Plans (Rsops) more attractive by changing tax rules which affect the

At present, companies wishing to set up an Esop scheme face a lengthy and restrictive negotiation with tax inspectors. Otherwise, employees could be liable to pay income tax on the growth in value of their shares. A team of accountants from Peat Marwick McLintock, UK

accountancy firm and management consultants, was commissioned by the Department of Employment to advise on Esops. It is reported to have recommended that the Government give serious consider-ation to the tax changes sought by supporters of the schemes. The recommendations are reported by the independent

research group, Industrial Relations Services (IRS), which today publishes the results of the first detailed survey of

Esops in Britain
Neither the Department of

STAFF AT Lloyds Bank, UK commercial bank, have voted to take industrial action over

the company's decision to

the company's decision to extend opening hours.
From today, clerical members of the Lloyds Bank Group Staff Union will be instructed to refuse to work overtime not specified in their contracts.
In the ballot, 56 per cent of the 14,892 members eligible to vote backed the overtime ban. Of the 9,625 who voted, 86.6 per cent were in favour of the action.

The ballot was sparked by the decision to open Lloyds' branches until 4.30pm, rather

than 3.30pm, starting today.

Lecturers to begin

UNIVERSITY lecturers in the

Association of University Teachers will from this

Wednesday withdraw co-operation with performance-appraisal schemes which were a key part of their latest pay

AUT members voted for the

action as part of a campaign of

protest against the refusal of university employers to offer any pay rise this year. They

also fear there may be little

extra cash for pay next year.

action on pay

By Michael Smith

Bank staff ban overtime

Employment nor the Treasury would comment on the IRS report. However, officials in Whitehall indicated the Treasury has received several sts for a change to the

The IRS survey found that Esops have grown steadily over the past 18 months and that the 10 companies now operating them report "important improvements in indus-trial relations and financial performance."

However, according to IRS, the only disadvantage mentioned by the companies, which together account for 12,000 employees, related to the current tax and legal uncer-tainties affecting Esops.

The survey appears to suggest that if tax rules on Esope are changed or simplified, their number could increase rapidly. This is a view held by Unity Trust, a joint venture between the Co-operative Bank and leading trade unions, which has pioneered the schemes in Britain,

The union says it is not

opposed to the change in itself.

but is angry that members were not consulted. It fears the

demands for overtime.

Mr Ian Partridge, union general secretary, said he was seeking an agreement that overtime would become voluntary and that branches would be adapted to the secretary to find.

The union also wants the bank to abolish a rule that

staff are only paid overtime if they work 30 minutes or more

Bifu, the financial services

be adequately staffed.

union, has also recomm

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visiting Europe, wishes to discuss with any and all debenture-holders matters relating to the Subordinated Guaranteed Debentures maturing on May 1, 1988. Mr. futtho can be con-

Hatel du Ahone

Quai Turrettini

October 24

, and

The Financial Times proposes to publish this survey

7th DECEMBER 1988

For a full editorial synopsis and advertisement details, please contact:

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**FINANCIAL TIMES** 

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inety-one per cent of British businessmen believe that 1992 will be good for business.

Good news. Well yes, except that behind this statistic lurks another. Forty-one per cent of those surveyed, revealed they had no game-plan whatsoever.

Frankly that's something that worries the life out of us.

HOW WILL 41% OF BRITISH BUSINESSMEN ENTER 1992?

In 1992, we'll all be fish in a much larger pond. And whilst this means more opportunities, it also naturally means more predators.

For the fact remains that if you can see an opportunity, so can your rivals.

So how can you make sure that as all the rules change, you know how to play the game and win?

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# CBI says more companies must forge school links

MANY MORE companies must form links with secondary schools if employers are to avoid skill shortages in the

try published today.

After many years when the CBI and other bodies have been exhorting business to set up links with local schools, a survey commissioned by the organisation, published last month, found that 54 per cent of businesses and 37 per cent of schools still have no regular

Fewer than one school in three has sufficient local links to meet the work experience targets for pupils and their teachers that have been set by

The task force of top businessmen set up by the CBI to investigate found that, although business and education have become increasingly aware of their interdependence over the last 10 years, "it is clear that, at the very least, serious communication problems exist between business and education. Very few busiunderstanding of what goes on in today's schools, even where they happen to have children attending a local secondary school."

Sir Adrian Cadbury, chair-man of the task force, said: "Schools are aiming to do their best for their pupils and school leavers want to make the most of their talents and interest during their working lives."

If the fault for the lack of effective links is on any side, the report points indirectly to business. The take-up has been mostly by his companies. In mostly by big companies. In general, businessmen said that the obstacle to better commu-

mications with local schools was "lack of time."

The CBI makes quite clear that, while the Government has some obligations to fulfil, the main responsibility lies with employers.It wants smaller and medium-sized companies to be among the 15,000 more companies needed to meet the Government's tar-

Recommended courses of ms exist between business action by companies include:
ad education. Very few business leaders have any real or improving links assigned to

a main board director. A strategy on company-level schools links to be developed, and necessary resources allocated to implement it.

At least one new link between each local operation and a local secondary school to be formed in the next six

nominated as school governors and the contributions of individuals to be recognised in their performance assessments

Places to be offered to head teachers and deputies on man-agement development pro-

within a year, companies should be reviewing local recruitment, ensuring that all young employees receive broad-based skills training.

The task force recommends that an independent National Schools and Business Partnerskin should be formed to get as ship should be formed to act as

a focal point for local links. Building a Stronger Partner-ship between Business and Secondary Education. CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU. £25 CBI

### Saatchi buys into consultancy

By Richard Waters

advertising and business services group, has taken an interest in a new consultancy firm created by a number of senior partners who have defected from Arthur Andersen, the accountants and management consultants.

The deal achieves an ambi-tion of Mr Victor Millar, the Washington-based head of Saatchi's rapidly growing management consultancy business, but not quite in the way he

had expected.
The team from Arthur Andersen is led by Mr Gresham Brebach, who ran Ander-sen's US consultancy practice until he was dismissed earlier

Mr Millar, who ran Andersen's worldwide consultancy business for two decades before moving to Saatchi in 1986, had harboured the ambition of buying Andersen's entire consultancy business.

SAATCHI & Saatchi, the However, his bid for the firm, which in its most recent year earned gross fees of \$1.1bn (£628m), was turned down. Bringing Mr Brebach, with whom he had worked for 20 years, into the Saatchi camp has been the next best

> The new firm, Information Consulting Group, has been launched with five former Andersen managing partners, all of them responsible for substantial parts of Andersen's business. A sixth founding partner, Mr Robert Harman, was a senior partner in the consulting business of Peat Marwick Main, another

nology market demanding both the technical and project management skills to put together large and complex computer

accountancy group. ICG will specialise in systems integration — a branch of the information tech-

Mr Brebach said the systems integration market was grow-ing at 25-30 per cent a year and was expected to be worth \$15bn by 1991. The aim is to grow the busi-

ness rapidly over the next five years, after which Saatchi will have an option to buy the company. By that stage it would have a turnover of more than \$100m and employ nearly 1,000 people, said Mr Brebach.

If all goes to plan, the firm might cost Saatchi nearly \$200m. Earlier this year it paid \$90m for another consultancy

practice, Gartner Group, which had fees of \$40m. Mr Millar said last week: The details (of Saatchi's relationship with the firm] have yet to be worked out. But we are a supporter of the new venture. We are going to be uncharacteristically modest about our role."

### TV makers urge curb on imports from East

By Terry Dodsworth, Industrial Editor

TELEVISION manufacturers in TELEVISION manufacturers in the UK are pressing the Government for stiffer action to curb a surge in imports of small-screen TV sets from China and Hong Kong.

A sudden rise in sales of cheap Chinese and Hong Kong-made sets has forced UK-based manufacturers to cut production.

production. They say imports of 14-inscreen televisions from these two countries will reach 500,000 this year, accounting for about 12 per cent of the British television market. At the heart of the com-plaint is the belief in the UK and Europe that Chinese tele-visions are being dumped in western Europe at unrealisti.

western Europe at unrealistically low prices. European manufacturers say some sets are being exported directly from China, but many of those exported from Hong

Kong are intrinsically Chinese-made nese-made sets that are shipped through Hong Kong for the sake of convenience. The Hong Kong authorities say only about 100,000 of an estimated 760,000 sets being shipped to Europe originate in China.

Nevertheless, a build-up in sales of Chinese and Hong Kong sets throughout Western Kong sets throughout Western Europe over the past two years has led European manufacturers to lodge an anti-dumping complaint with the European Commission. A formal decision to investigate the case is expected before the end of this

In the UK, where the industry is dominated by Japanese-owned producers, manufacturers are pressing for immediate action on the separate ground that the sale of Chinese television sets is breaking an exist-ing British quota of 25,000 sets

According to Mr Oliver Sut-ton, head of the British Radio and Electronic Equipment Manufacturers' Association, that quota is being exceeded by direct imports of Chinese made sets alone. But it is being made worse by the sale of televisions exported from Hong Kong but mainly assembled in China.

# Sun comes out for the Greens

John Hunt reports on Tory-inspired conference optimism

Green Party were in a chirpy mood as the sun shone on them from a cloud-less sky when they gathered at the weekend for their annual conference in the seaside

resort of Southport.
Their optimism had been fuelled by Mrs Margaret Thatcher's unexpected action rhatcher's unexpected action in putting the protection of the environment firmly on the political agenda, in her speech to the Royal Society and again last week at the Conservative Party conference in Brighton.

The Greens – formerly known as the Ecology Party – believe the Prime Minister has made an important textical

made an important tactical blunder. Her highly publicised speeches on ecological developments — including the Karin B waste ship episode and the seal deaths — have made the public more environmentally aware than ever before. The Greens, who received

only a minute percentage of the vote in the last general election, believe this has given them a long-awaited opportu-nity for a political break-through. They say Mrs Thatcher has highlighted dangers to the environment but is not prepared to take measures of any magnitude to deal with them. The Greens say that leaves a vacuum they are ide-

ally placed to fill.

The mood was voiced in a conference speech by Mr Brig Outbridge, a co-chairman of the party. He said: "We are breaking through into the final phase where we have won the respect necessary to begin achieving our objectives. We are no longer a voice in the wilder-ness. We are the party which has been right all along."

However, his euphoria might be premature. Judging from the conference proceedings, the party, the membership of which has risen from 3,000 to 8,000 over the past six years, has much work to do on The party bitterly complains with some justification reforming its organisation and improving its standing with

There is still a sizeable fac-tion in the party which — simi-lar to some on the left wing of

The party hopes to benefit from public awareness which has been fuelled by speeches from the Prime Minister

the Labour Party – seems to regard itself as an elect group and would somer retain its doctrinal purity, it seems, than win elections by compromising the true faith.

The woolly-jumper-and-anorak brigade was still much in evidence among the 400 members at the conference. There was a touch of Zen Buddhism about the proceedings as each session commenced with a brief "attmement" period, during which members howed their heads in meditation and were reprimanded if they made

Conference procedure remained a shambles, with about a dozen separate groups discussing motions around large tables before a vote was taken. One woman complained that her group and others near her did not seem to have a ciue what was going on.

All that is in the name of participation and is carried to an anarchic extreme which would satisfy even Labour leftwinger Tony Benn's dreams of grassroots democracy.

The party bitterly occupations

that it gets no TV coverage. However, its proceedings are hardly tailored to the needs of

hardly tailored to the needs of the TV cameras. Nevertheless, there were signs that many members are restive over such political ama-teurism and are demanding greater realism. One man was applauded loudly when he said: "We are still the old Ecology Party milling around. We must get some professionalism into this."

By far the most impressive speech of the weekend came from Jonathon Porritt, director of Friends of the Earth and a former co-chairman of the Green Party. In effect, he told his former colleagues to pull themselves together, stream-

During the debates it was clear that some members wanted no part of "power structures" such as the European Commission, but Mr Porritt caustically reminded them that the existence of EC regulations had forced the Government to take action to protect the environment.
The Greens intend for the

first time to fight all the British seats in next June's elec-tions to the European Parlia-ment and are placing high hopes on the outcome. Mr Porritt urged them to put across the message that the European Parliament must be more pow-erful. Power, whether nuclear

or political, is a word that is anothema to many in the party. Mr Porritt said: "Don't let's pretend we are not talking about power here, because we

That received a mixed reception, as did his call for a single party representative to put its message across and become well known to the public. It was clear that many members would prefer to retain the elabgrate system of three co-chair-men and three speakers.

The British Green Party was the first of its kind to be formed, but it has lagged far behind its European counterparts in electoral success. It has never come close to electing a Green MP and has only a scattering of local councillors. There are 44 Green members of the Bundestag, the German parliament, 20 in Sweden, eight in Austria, 17 in Belgium, 15 in Italy, four in Luxembourg, nine in Switzerland and four in

Finland. : line their organisation and use the media in a professional now, the European electorate way to reach the electorate. has been more aware of ecological issues than British voters. However, the main reason is that, unlike Britain, west Euro-pean countries have proportional representation. That is a great grievance among the UK's Greens, as it is with the

other minority parties. However, the British Greens are complement that the tide is turning in their favour. Ms Jill Lindgren, a visiting Swedish Green MP from Stockholm, summed up their determina-tion when she told the conference: "We are a threat to those in power who do not consider survival on earth. We are going to threaten them even

### Labour's autumn offensive to target spending cuts

By Michael Cassell, Political Correspondent

THE LABOUR Party will this sive against the Government's handling of the economy and, in particular, against any cuts in next year's public expendi-ture levels which emerge from the negotiations between the Treasury and other spending departments.

On Tuesday, Mr Gordon Brown, the shadow cabinet member responsible for public spending, will open the campeign with a press conference year reaches its final stages. Labour's front-bench team intends to maintain its assault until the end of the year, although the campaign will be weakened by the absence of Mr John Smith, the shadow chancellor, who is recovering from a heart attack.

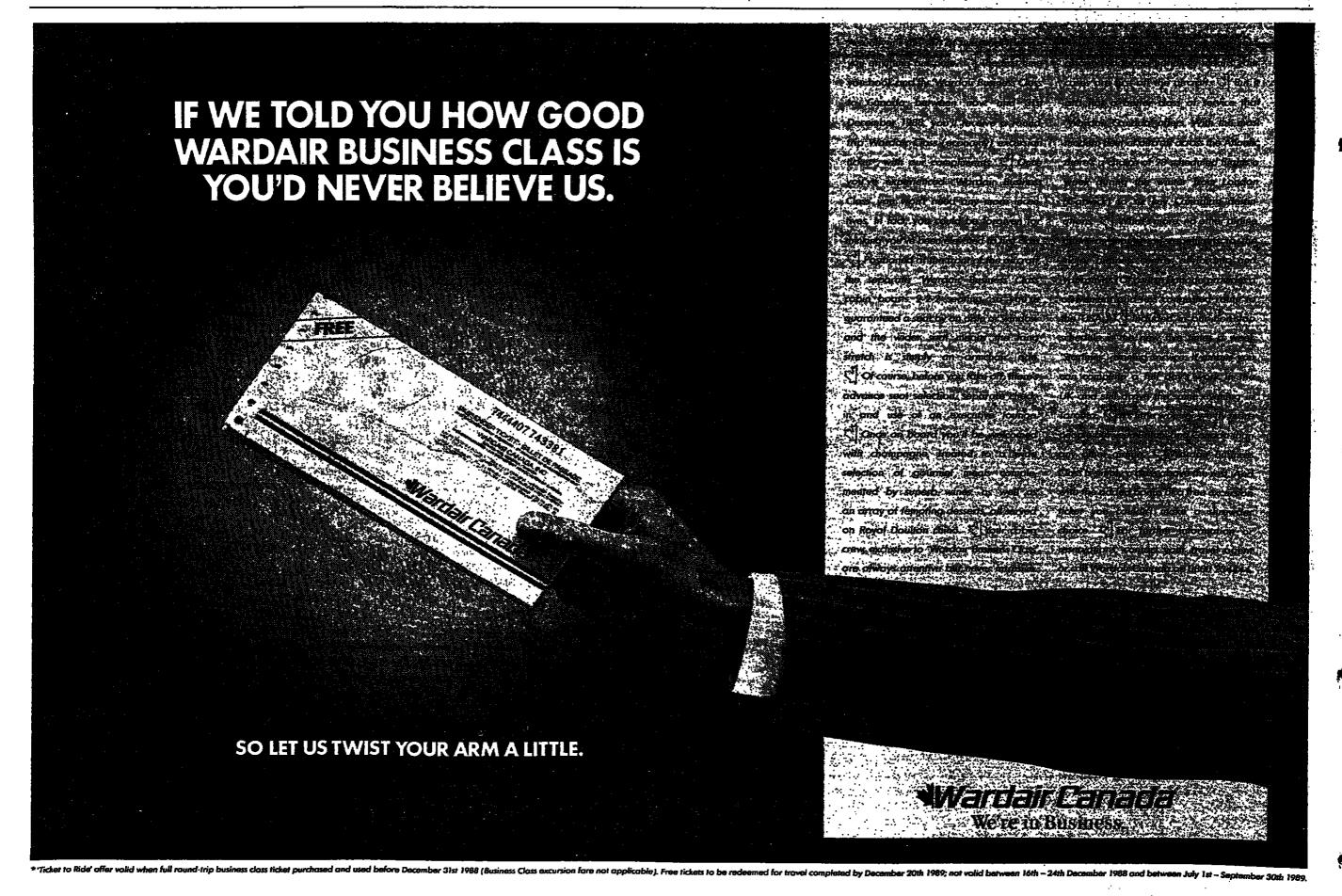
Labour's offensive will be launched as the Government's review of public spending plans for the next financial

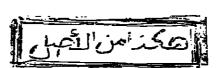
With some departmental budgets still not agreed with Mr John Major, Chief Secretary to the Treasury, it seems likely that the Star Chamber arbitration committee, under the chairmanship of Mr Cecil Parkinson, Energy Secretary, will shortly be convened. shortly be convened.

Departments still to settle

include defence, and social security. Mr John Moore, Social Security Secretary, is

fighting to have child benefit uprated in line with inflation, in the face of Treasury insistence that it should be frozen to be re-elected, in spite of criticism during the last session of his handling of the parliamen-tary party in the Commons.





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# Hurd decides on Aero-engine ventures feel big thrust of rising costs eight-year limit to TV contracts

By Raymond Snoddy
THE GOVERNMENT has decided that future contracts of Britain's commercial television companies will run for eight years. The move will disap-

ITV has been arguing for longer or even continuous rolling franchises, subject to review, because of the increasing competition in the televi-sion market from cable and satellite channels

The Government will make clear in a white paper on the future of broadcasting its view that new contracts to be awarded by competitive tender should run for only eight years. The white paper is expected to be published in the middle of next month.

The ITV companies are in the sixth year of eight-year contracts, but the original con-tracts are being extended until the end of 1992.

Mr Douglas Hurd, the Home Secretary, considered awarding the new contracts in perpetu-ity, but decided that the discipline of competing for fran-chises at the end of eight years would have a positive effect on companies using the scarce resource of the air waves.

Mr Richard Dunn, chairman of the ITV Association and managing director of Thames Television, said yesterday: "Eight years is a very short span in a highly competitive environment."

The Peacock Committee on the future of broadcasting in the UK recommended that ITV contracts should run for 10 Mr Dunn said: "There is a

very good case for 15-year con-tracts, the same as British Sat-ellite Broadcasting. ellite Broadcasting."

The cabinet committee is expected this week to give the goahead to a radical range of proposals, which amount to deregulation of ITV, including the removal of many public service obligations and barriers to the takeover of ITV com-

The final meeting of the committee, chaired by Mrs Margaret Thatcher, will be attended by additional cabinet ministers. Mr Kenneth Baker, the Education Secretary, and Sir Geoffrey Howe, the Foreign Secretary, will take part in this week's meeting to consider educational and foreign-policy implications of the proposals.

ing 7J7 propfan airliner, a project that has been deferred but may come to fruition in the 1990s. R OLLS-ROYCE'S link-up with a group of Japanese aero-engine builders on its latest "big thrust" engine is yet another instance

At the same time, the compa-

strong government encourage-ment and financial support,

has proved skilful and quick to

learn, and can produce high-quality parts at reasonable costs on time.

Leading airframe builders such as Boeing of the US now rely on Japan for main parts

for such airliners as the 767, while Japan also took a 25 per cent stake in the proposed Boe-

Rolls-Royce has long-stand-ing links with Japanese compaof the growing trend towards collaboration in the world agroengine industry.

The increasingly heavy burden of development costs has been the biggest factor in

nies.

R has manufacturing agreements with Kawasaki and Ishi-kawajima-Harima on the Orpheus and Adour jet engines and on early models of the RB-211-524 engine series, and a partnership with Kawasaki on industrial and marine engines.

Kawasaki, Ishikawajima-Harima and Mitsukishi Heave encouraging such collaboranies involved also hope to widen the eventual markets for the resulting products.
Another big factor is the desire
of partners to broaden their
own technological base. ima and Mitsubishi Heavy Industries are also members of

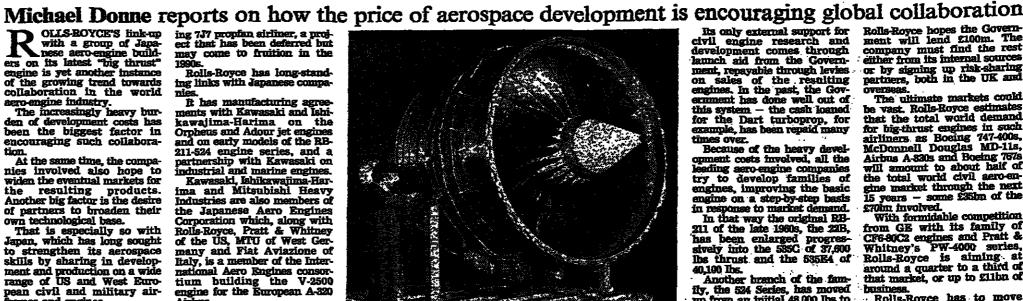
the Japanese Aero Engines Corporation which, along with Rolls-Royce, Pratt & Whitney of the US, MTU of West Ger-many and Flat Aviazione of That is especially so with Japan, which has long sought to strengthen its aerospace skills by sharing in development and production on a wide range of US and West European civil and military air-Italy, is a member of the International Aero Engines consortium building the V-2500 engine for the European A-320 frames and engines.

Japan has many advantages for the Western aerospace companies. Its industry, with To develop a new aero-en-

gine from scratch costs \$1bn to \$2bn (£570m to £1.14bn), with radical new technological developments being particularly costly.

It is estimated that General Electric of the US, for example,

would have had to spend close to \$2bn developing its new GE-36 family of propfan engines, with their big savings in fuel consumption, if it had gone ahead alone. It has shared the cost — and the design,



Rolls-Royce's latest engine model, the RB-211-524L

the Boeing 737-300, 400 and 500 series, and the European A-320 Airbus, with the rival International Aero Engines V-2500 well behind. development and production with Snecma, of France, which has a 35 per cent stake in the

Those two companies had Although Rolls-Royce spends large sums on research and development (£187m in 1987 and probably a similar sum in 1988), it has a huge development workload in civil engines, including the RR-211 series, the already worked together for several years through their jointly owned company, CPM International, building the CFM-56 series of mediumthrust jet engines now dominating engine markets in such highly successful aircraft as including the RB-211 series, the Tay and its share of the V-2500.

L - T - O - M

LONDON

its only external support for civil engine research and development comes through launch aid from the Governintinch aid from the Government, repayable through levies on sales of the resulting engines. In the past, the Government has done well out of this system — the cash loaned for the Dart turboprop, for example, has been repaid many times over

Because of the heavy devel-opment costs involved, all the leading aero-engine companies try to develop families of engines, improving the ba ngine on a step-by-step basis response to market demand. in response to market demand.
In that way the original RB-211 of the late 1960s, the 22B, has been enlarged progressively into the 535C of 37,600 lbs thrust and the 535E4 of

40,100 lbs.

Another branch of the family, the 524 Series, has moved up from an initial 48,000 lbs to the latest L model, now under development, of 67,500 lbs, with over 75.000 lbs.

over 75,000 lbs.

The cost of each step has been, and still is, high. For, although the basic principles of the original RB-211 have been retained, the changes in the different models have been substantial, reflecting the higher owns the jumps in technology over the 20-pins years life of the engine. Developing the L alone will

Rolls-Royce hopes the Government will lend £100m. The company must find the rest either from its internal sources or by signing up risk-sharing partners, both in the UK and

be vast. Rolls-Royce estimate be vast. Rolls-Royce estimates that the total world demand for big-thrust engines in such airliners as Boeing 747-400s, McDonnell Douglas MD-11s, Airbus A-330s and Boeing 767s will amount to about half of the total world civil aero-engine market through the next 15 years — some £35km of the £70km involved.

With formidable competition from GE with its family of CF6-30C2 engines and Pratt & Whitney's PW-4000 series, Rolls-Royce is aiming at around a quarter to a third of that market, or up to £11km of business.

Rolls-Royce has to move swiftly because both GE and Pratt & Whitney are also seeking risk-sharing partners. The number of possible partners with the expertise and money needed and the will to take on the free freehead is strail. the tasks involved is small.
The British company is

therefore likely over the next few weeks to announce the names of other partners on the big-thrust engine venture, not only from Japan but also from Western Europe, including the



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### ICI division to sell to electronics sector

By Peter Marsh

Industries, Britain's biggest chemicals company, has set up a division to sell products to the electronics and office-

equipment industries.

The establishment of the division, called imagedata, is a further sign of ICI shifting away from a concentration on bulk chemicals towards high-value speciality products focused on specific groups of

The new ICI unit mirrors similar operations set up by other big chemicals companies such as Du Pont of the US and BASF of West Germany, which are also anxious to move into Imagedata will have sales in

its first year of about £30m, a tiny proportion of ICI's Lilbn nnnsi turnover. Mr Des I'Shea Imagedata's managing O'Shea, Imagedata's managing director, said he hoped revenues would grow rapidly, although he did not want to predict at what rate.

Imagedata will operate as part of an existing ICI subsidiary, ICI Films. It will sell products such as transparent films, printing materials and chemi-

and discs. Mr O'Shea said he hoped the company would act as a conduit through which technologi-

Chemical parts of the ICI group could in's biggest find their way into products. He saw particular growth potential in novel techniques that involve lasers altering the surface of materials to store huge volumes of data in a small space. Another area is which Imagedata might develop was new technologies for display terminals for com

puters.
Mr O'Shea said Imagedata would focus on the electronics would focus on the electronics and office copying and printing sectors for its main prospective customers. The value of consumables, including paper, film, tapes and discs, sold in these industries was about 15bm a year worldwide and was greating resolution.

growing raphily.
Imagedata, which takes over the products of several ICI businesses; kas 500 employees, most of whom work at the divi-sion's centre in Brantham, Suf-

About 70 per cent of the first year's sales of Imagedata will be outside Britain. Mr O'Shea said the division

would focus on the US as its main sales area. People from the unit would try to gain anese electronics industry by participating in a technical centre set up recently by the cal developments from other ICI group near Tokyo.

### Court to clarify meaning of insider dealing clause

By Raymond Hughes, Law Courts Correspondent THE COURT of Criminal the information and Judge But

Government's campaign to curb insider dealing into disar-

The tirree judges, headed by Lord Lane, the Lord Chief Jus-tice, have been asked to rule on the meaning of the word "obtained" in section 1(3) of the 1985 Company Securities (Insider Dealing) Art. At Southwark Crown Court

in April, Judge Gerald Butler directed the jury to acquit Mr Brian Fisher, a London businessman, on two insider dealing charges on the ground that Mr Fisher had not dealt in the property of shares on the basis of price-sensitive information he had Mr Fisher had not solicited

Appeal will tomorrow give its for said that to obtain meant ruling on an interpretation of the law that has thrown the Government's campaign to result of purpose and effort", not to accept or receive."

The case was referred to the Appeal Court by Sir Patrick Mayhew, QC, the Attorney-General, because of the implications of Judge Butler's interpretation for other insider dealing cases being either prosecuted or under investiga-tion by the Department of Trade and Industry.

At the one-day hearing

month, Sir Patrick said that the law on insider dealing would be left with "an enor-mous gap" if Judge Butler's interpretation was allowed to Whatever the Appeal Court decides, Mr Fisher's acquittal

will not be affected.

### **National Savings drop**

By Paul Cheeserichi

THE INFLOW of funds to National Savings dropped sharply last month. Repay-ments to investors were £169.3m more than receipts, according to the National

Savings monthly returns published yesterday.

National Savings blamed the postal strike for its failure to attract more than £482.3m from the strike for the first that the first than the investors, noting that the effect on income bonds was espe-cially marked, because they can only be bought by post. Sales of income bonds were down to £35.3m in September compared with £140.4m in

The September deficit, however, comes against a back-ground of widespread criticism of National Savings for its failure to keep interest rates com-

reducing the significance of the National Savings contribution to Government funding, a review of the financial prod-ucts has been taking place.

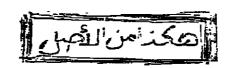
The result was evident last week when Mr Nigel Lawson, the Chancellor of the Exche-quer, amounced that in Janu-ary National Savings would laure, amounted that in January National Savings would laureh its first new product for three years. This will be a capital bond, to replace depositionds. It will offer a guaranteed with the control of the control of

bonds. It will offer a guaran-teed return over five years and interest will be paid gross.

At the end of last month, total investment in National Savings products at £370m was fractionally higher than at Sep-tember 1867. But over the first six months of the current financial year the total net con-tribution of National Savings

tribution of National Savings petitive.

Since the Government 2828.8m, was only 53 per cent moved into fiscal surplus, of that in the 1987-88 first half.



**Increases** 

lift numbers

A PICK-UP in earnings growth in the current wage round is more likely to create unem-

ployment than increase infla-tion, says a leading invest-ment bank today. Excessive pay awards might lead the Government to

increase interest rates, says the report by County NatWest. That would slow economic

growth and increase unem-

Mr Stephen Hannah, UK economist at County NatWest, says the monetary authorities have given clear signals that wage inflation will not be

accommodated by an easing of

accommodated by an easing of monetary policy.

"Any signs of trouble are therefore likely to be met with higher short-term inflation rates and a more severe slow-down in the real economy."

The report says the Government's monetary policy is well placed to minimise inflationary risks of a wage take-off.

"If anything, the risk is that misbehaviour by wage bargainers will generate a sharp deflationary reaction from the authorities which slows the economy more savagely than

economy more savagely than expected."

expected."

The report warns that there are risks of a further rise in wage settlements in the next few months but says there are a number of offsetting factors. It argues that companies have built up substantial profits "fat" as a result of the strength of recent economic growth. In addition, oil and

growth. In addition, oil and

commodity prices have fallen and there has been a trend rise

in productivity – meaning that companies should be able to absorb higher earnings

without raising prices.

of jobless'

By Raiph Aikins,

# Awards for clerical staff 'top those for managers'

PAY increased more alowly over the past year for British managers than for clerical workers, according to a report published today by the Reward Group.

The Reward survey says

managers' basic pay (cash payments, excluding bonuses) rose by 6.4 per cent over the past year. The survey covers 22,669 employees, from senior managers (excluding directors) to first-line supervisors. Pay rose by 8.2 per cent over the same period for the clerical workers

The pay increases of the managers surveyed by Reward also appear modest when com-pared with those in a P-E inbucon survey published this

That survey found that basic Scotland (8.3 per cent), fol-

pay for senior managers, including directors, and middle managers had increased by 10

The Reward survey found that pay for supervisors increased by 6.2 per cent. Junior managers saw their pay rise by 6.6 per cent, while that of senior managers went up by

Pay levels in London and the south-east of England remain higher than in other parts of the country, but managers in several other regions received larger percentage increases

over the past year.

The biggest rise was in the north-west of England, where managerial pay increased by 8.5 per cent.

The second highest was in Society of the second highest was in the second highest was a second highest was in the second high was a second highest was a second high was a second highest was a second highest was a s

lowed by the West Midlands (6.7 per cent), the south-west (6.5 per cent), the south-east (6 per cent), London and the north-east (both 5.5 per cent) and eastern counties (5.3 per

The median basic managerial salary in London is \$15.422 a year, compared with £13,821 in the south-east, £13,656 in Scotland, £12,951 in the north-east, £12,640 in the eastern counties, £12,472 in the north-west, £12,443 in the south-west and £12,268 in the West Midlands.

Reward, the Management Salary Survey. The Reward Group, Reward House, Dia-mond Way, Stone Business Park, Stone, Staffs ST15 OSD. Single issue E100. Annual sub-scription (two issues) E160.

# Extra public spending 'likely'

By Simon Holberton, Economics Staff

THE TREASURY is likely to concede an extra £2.5bn in public spending for next financial year, but financial markets will accept it because of the Government's strong financial position, according to Warburg

In a report ahead of the Autumn Statement, expected in mid-November, and the Chancellor's address to the City at the Manslon House on Thursday, the UK securities house says the Government is is likely to have a Budget sur plus this year of at least £13bn, compared with a Budget esti-

Warburg estimates that tax revenues this year will exceed Budget forecasts by £8tm and government spending will be £2.5tm less than planned: Both 22.5bn less than planned. Both to monetary growth.

The Bank of England, given the strength of the economy the strength of public finances,

Chemist shops 'face challenge

from grocers'

By Maggie Urry

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during the year, which has produced higher profits and incomes and a lower level of

welfare spending.
It says that in the 1989-90 financial year government revenues will remain strong and a Budget surplus of nearly £11bn is in prospect. The Chancellor will not cut taxes next spring and the most that can be expected is for full indexation

of allowances, it says.

Warburg says Mr Lawson's
Mansion House speech is eagerly awaited by UK financial markets. They are especially interested in what he might say about the Government's attitude to the gilt-edged securities market and its policy towards funding the public-sector contribution

will have to buy in up to £8bn of glits from now to the end of the financial year to replace the liquidity the Budget sur-plus is withdrawing from the

economy.

If the Government does not do that it will overfund the public sector's contribution to monetary growth and reduce the money supply. That was a policy it ditched in 1985, but which seems likely to happen as the Bank, on Warburg's reckoning, is buying in only £500m of gilts a mouth instead

of the film necessary to equal-ise the money-supply effects. Warburg speculates that the Chancellor may either temporarily suspend the funding rule and allow overfunding, or deny that there is a difficulty and achieve an overfund in any

Gilts column, Page 33

# Hinkley opponents urge power imports

CHEMIST shops and drugstores face increasingly tough competition from groimports or an energy conserva-tion campaign would make the building of the £1.5hn Hinkley Point C nuclear power station and other similar plants reduncers and supermarkets, which are expanding their share of the tolletries market, says a report by Verdict Research.

Chemist shops, excluding the dominant Boots chain, are in no position to compete with drugstores or the grocery trade, it says. Their dispensing role means they are subject to strict government controls.

Verdict estimates that, tak-ing Boots out of the figures, chemist shops derive nearly two-thirds of their turnover from National Health Service dispensing, but less than half of their gross profit comes

About 9,000 of the 12,000 chemist shops in the UK are either single shops or in chains of five or fewer. These independents rely on their NHS business and their best strategy may be to expand their role as health ordered. health advisers, Verdict says. The drugstore, which in spite of the name does not dis-

pense drugs, represents an immature form of retailing, Verdict says. Superdrug, a sub-sidiary of Woolworth, is a dominant player in the field.

The report says that a third of drugstore sales comes from toiletries, with the emphasis on high release on high volume, so good cus-tomer traffic and strong buying power are vital.

Verdict on Chemists and Drugstores. Verdict Research, 112 High Holborn, London. WCIV 6JS. £450.

ST DESKS

By David Green INCREASED ELECTRICITY

dant, according to opponents of the scheme. During the second week of a

public inquiry into the Hinkley Point proposal they challenged the Central Electricity Generating Board's strategy of bulkiing more generating capacity while appearing to give lower priority to other options.

build four pressurised water reactor (PWR) nuclear plants before 2000, including Hinkley Point C and Sizewell B, to comply with government policy on diversity of fuel sources. It foresees a deficit of \$120 MW generated by non-fossil

fuel sources by the end of the century because of increased demand and the closure of old nuclear power stations.

Mr Gerard Ryan, QG, representing a consortium of 21

seating a consortium of 21 local authorities led by Somer-set County Council, suggested that a second 2,000 MW link with France and the up-rating of the 800 MW link with Scot-land to 2,000 MW would enable the CEGB to comply with gov-ernment policy without build-ing further plants.

Mr Ryan also suggested that

an energy conservation campaign would cut demand and avoid the need to build new

power stations until next cen-

options and some of them involved less uncertainty than proceeding with new nuclear plants. Hinkley Point C was not crucial, he said.

Mr Frank Jenkin, director of the CEGB's strategic studies department, and that if plans for Highley Point C were rejected, the board would have to build new plant of some kind because the Government's white paper on privatisation of the electricity supply industry said that the proportion of energy from this type of source

Mr Jenkin said the CEGB believed that a PWR building programme was the most economic way of complying with government policy aimed at avoiding reliance on coal and oil, which at present account for more than 80 per cent of

electricity generation.

If French electricity was to be used to help to meet demand, new area electricity boards to be set up under pri-vatisation would be in a poor position when negotiating a contract wifh Electricité de France, the CEGB's equivalent. Home-produced electricity was also a more secure source than

- Mr Jenkin said the CEGB was studying ways of up-rating the power link with Scotland, but increased capability could not at present be relied upon. The inquiry resumes tomor-

tury.
The CEGB had a number of

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Correction

NatWest mortgages

NATIONAL Westminster Bank's new fixed-rate mortgages are available to new borrowers or existing borrowers who move house. A report in 
Friday's edition stated that 
existing borrowers could 
switch to fixed-rate loans if 
they wished. The new mortthey wished. The new mort-gages amply to sudowment and pension mortgages only.

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### CBI-FT DISTRIBUTIVE TRADES SURVEY

### Base rate rise takes fizz out of retail sales in pay 'may

By Ralph Atkins, Economics Staff

try-Financial Times distributive trades survey published

Retailers report that sales volumes growth last month was buoyant but fell short of expectations. The survey above that retailers are optimistic about sales this month although not as positive as in the last three months.

The results suggest some of the fizz in retail sales growth during the summer may have disappeared as higher interest rates have started to affect con-sumers' spending behaviour.

However, the full effect of the rise in base rates to 12 per cent since May will probably not be noticed for some

monns.

The survey shows that in September, 66 per cent of the 262 retailers questioned said sales were higher than in the corresponding month a year earlier and 12 per cent reported earls.

The balance of those noting increases minus those reporting falls was +54 per cent. That was slightly less than bal-ances of between +57 per cent and +59 per cent in each of the four months May to August. However, it was higher than in February, March or April.

For October, a balance of 55 per cent expect sales to be higher than the corresponding month a year before. That is less optimistic than predictions for September shown in last month's survey when a balance of +70 per cent expected a rise compared with the year before.
Chemists and retailers of

household textiles, furniture and carpets were most positive about sales growth in October. The survey shows a balance

STRONG RETAIL sales growth during the summer may have shown a modest deceleration in September, according to the Lowest balance since April. It compares with a balance of 70 Sales % +33 per cent in August.

Growth in orders placed by retailers remained steady last 60 month, with a balance of +31 per cent of respondents ordering more than a year before. A pick-up in the growth rate is expected in October. Among motor traders, the

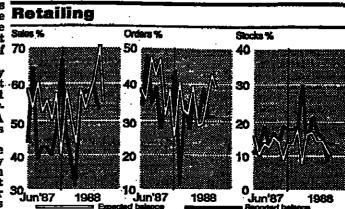
survey shows the exceptionally buoyant growth seen in August did not continue last month. A balance of +25 per cent of the 52 motor traders questioned said sales in September were higher than in the corresponding month a year before. That compared with a balance of +62 per cent in

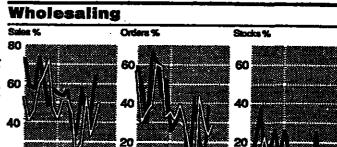
For October, a balance of +23 per cent expect sales to be higher than the same month a 60 year before — the least opti-mistic figure since December

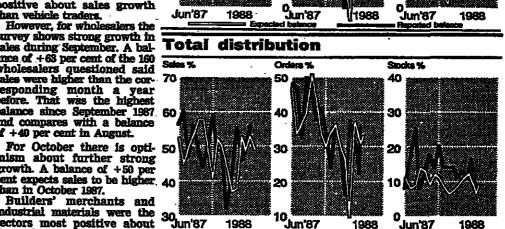
Growth in orders placed by motor traders also slowed in ber. For both September and October, parts and accessories dealers were more positive about sales growth than vehicle traders. However, for wholesalers the

survey shows strong growth in sales during September. A bal-arcs of +63 per cent of the 160 wholesalers questioned said sales were higher than the corresponding month a year before. That was the highest halance since September 1987. 60 and compares with a balance of +40 per cent in August.

mism about further strong growth. A balance of +50 per cent expects sales to be higher than in October 1987. Builders' mercuants industrial materials were the 30 Jun'87 sectors most positive about September sales growth.





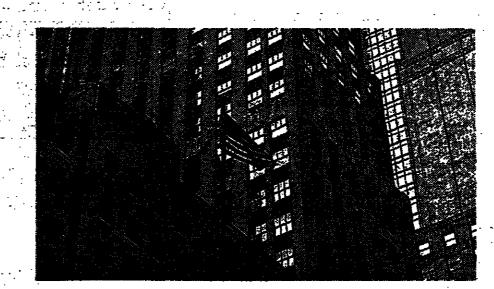


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### **APPOINTMENTS**

### Senior posts at Nestlé

chairman of Rowntree and a member of NESTLEs general management, will lead the strategy group from a York headquarters. Mr Peter Blackburn, a director of Rowntree and chairman of Rowntree's UK and Ireland business, has been appointed his deputy and successor when he retires in August

Mr Paul Seip, a senior vice president of Nestlé, will be responsible for Rowntree's research and development activities in York and Dijon and Nestlés chocolate and confectionery research companies in Fulton, US, and in Broc, Switzerland.

Mr A.J. Birch, managing director of Budgens, has joined the board of BARKER & DOBSON.

■ Mr Dennis Poole has resigned as managing director of ESTATES PROPERTY INVESTMENT CO and its subsidiary companies, but will remain as a consultant. Mr Christopher Benham, managing director of Development and Realisation Trust, has succeeded him as managing director of Estates Property Investment Co. Mr Reg Stringer, also of D&RT, has joined the board of EPIC and Mr Arthur Hennessy is to replace Mr Stentifords as company secretary.

NEWMARKET VENTURE CAPITAL has appointed Sir Geoffrey Pattie and Dr William Sutherland as non-executive directors.

■ VARICOL has appointed Mr Harry Kleeman as chairman and Mr Terry Bradstreet managing director. Mr Fred Meads has resigned.



RATNERS GROUP has appointed Mr John B. Hughes as managing director of H. Samuel and associated compaes. He joined the main board of Ratners Group in January.

**ZAMBIA CONSOLIDATED** COPPER MINES has promoted Mr Yogesh Gupta to finance director. He was chief financial executive.

■ McKECHNIE has appointed Mr Stuart Moberley as finance director from November 1. He succeeds Mr Leslie Milner who is to retire in April.

 At UEI Mr Jonathan Richards has been appointed group operations director.

■ Mr John D. Oblein has been appointed a director of the YORKSHIRE BANK to succeed the late Mr R. Neville Drane He was regional executive director (south east region) of National Westminster Bank.

■ Mr Mike Farahar has become finance director of EAST ANGLIAN DAILY TIMES. He remains responsible for the company's accounting function and company secretary.

Mr Hayden Warman has joined NORWICH AND PETERBOROUGH BUILDING SOCIETY as general manager (lending and banking). He was assistant general manager (mortgages) at the Principality **Building Society.** 

Mr Richard Lewis has been promoted to director, system division, at HOCKING NDT.

■ INTERNATIONAL CITY **HOLDINGS** has appointed operating companies. Mr Barry Nye and Mr Toby Coulson have become directors of Fulton Prebon (Currency Deposits) with specific responsibility for non-dollar business. Mr Rodney Bignell becomes a director of Fulton Prebon Sterling and Mr Robert Leversuch, Mr Jon Pyzer and Mr Timothy Wright become

Mr Christpher Odom has been appointed group finance director of DERWENT VALLEY HOLDINGS. He was previously at London & Continental Bankers.

Mr Michael Maughan is to join the board of RHM OUTHWAITE (UNDERWRITING AGENCIES) as a non-executive director. subject to Lloyd's approval.

■ Mr Ian Peacock has been appointed non-executive deputy chairman of SAC INTERNATIONAL. He is a

non-executive director of Storehouse. Mr Tom Brennan, operations director, has resigned from the board.

■ FOOD INDUSTRIES has appointed Mr David Dilger as chief executive from November. He is group financial director of Woodchester Investments

m Mr Alan Chaney has been appointed director, new business at BARCLAYS de ZOETE WEDD PROPERTY INVESTMENT MANAGEMENT.

Mr A.B. Harbour has joined Y.J. LOVELL (HOLDINGS)
as group director of personnel and organisation. He was previously with the Mars

Mr Geraid Hawkins has been appointed assistant general manager, card services at LLOYDS BANK, UK retail banking. He was chief mana of Effpos activities and plastic card development.

M At a board meeting of AMCO INDUSTRIAL HOLDINGS Mr Christopher Ruck was appointed a non-executive director. He was chief executive of the Co-operative

Mrs Margaret Salmon, currently personnel director Debenhams and the Harvey Nichols divisions of the BURTON GROUP, will take up the new post of retail sector and corporate personnel director for the group. Mr Keith Cameron has joined the group from Storehouse where he was personnel director and will succeed Mrs Salmon.

At KLEINWORT BENSON Mr Gavin Simonds is joining as a director in the corporate finance division in January. He is a director in the corporate department of Philips and Drew Securities.

UNITED TRANSPORT CO, the European operation of United Transport International, BET's transport and distribution services company, has appointed Mr Philip Harrisson as finance director from November 1.

recently acquired DIGSA, Dee Corporation's Spanish food retailing subsidiary, has made Mr David Brown its legal Small is to become group treasurer at BRITISH TELECOM on November 21. He was previously group treasurer at Commercial

■ ASHLEY GROUP, which

Mr David Coker has joined MORGAN CRUCIBLE as company secretary designate.

 Mr Ray Guy-Jobson has been appointed managing director of CENTRAL AREA REDEVELOPMENT ENTERPRISES, a newly-formed company and wholly-owned subsidiary of the Arrowcroft Group. He was chief executive of the Teesland



Mr Hugh Herrington, managing director, British Alcan Extrusions, has been made chairman of SHAPE-MAKERS, the marketing con-sortium of the UK Aluminium Extruders Association

■ MANUFACTURERS HANOVER has made Mr Andrew Dobson managing director and head of loan syndications and sales and asset swaps, London. He was previously executive director for corporate and product development at Household Mortgage Corporation, London.

■ SUN LIFE OF CANADA has appointed Mr Andy Hooper, a director, as assistant vice president, agency. Mr Brian Morley is promoted from agency development manager to director of communications.

Mr Brian J. Parker has been appointed managing director of RAYCHEM, based in Swindon. He replaces Mr Arthur F. Thompson who is retiring after 21 years as managing director. Mr Parker was previously personnel director, then general manager of the heat-shrinkable products division and has recently taken over responsibility for UK sales

to the electronics market.

CONTRACTS & TENDERS

DEMOCRATIC POPULAR REPUBLIC OF ALGERIA MINISTRY OF HYDRAULICS AND FORESTS NATIONAL AGENCY FOR CONSTRUCTING AND

MANAGING HYDRAULIC INFRASTRUCTURES FOR IRRIGATION AND DRAINAGE.

MITIDJA WEST AREA (SECTION 2)

### NATIONAL AND INTERNATIONAL NOTICE OF PRE-QUALIFICATION

A national and international notice of pre-qualification in respect of equipment for the MITIDJA WEST area (Section 2), 14,000 Hectares in the Wilaya de TIPAZA, covered by World Bank (BIRD) finance, is issued.

The equipment comprises: 1 - Channel connection

2 - Pumping stations

3 - 450m<sup>3</sup>, 480m<sup>3</sup> and 420m<sup>3</sup> tanks.

- Supply and lay 96 km of pipes in 600 to 1800 mm diameter pre-stressed

Supply and lay 520 km of pipes in 100 to 600 mm asbestos cement. - Supply and fit hydro-electro-mechanical equipment.

- Construct 490 km of channels and sewage ditches.

- Construct 190 km of agricultural tracks.

Domestic public and private companies and foreign companies belonging to member countries of B.I.R.D., Switzerland, Taiwan and China, may collect the pre-qualification file from the National Agency for Constructing and Managing Hydraulic Infrastructures for Irrigation and Drainage (AGID), Department of Infrastructures, EL-MARSA, Wilaya de BOUMERDES, against presentation of a written application together with payment of 200

Files may be collected from the National Agency for Constructing and Managing Hydraulic Infrastructures for Irrigation and Drainage (AGID) on any working day from 9 am to 4 pm.

3 copies of pre-qualification files must be sent in a sealed envelope marked: "Pre-qualification equipment for the Mitidja West Area" to the following address within 1 month of publication of the present notice in the national DIESS:

The Director General of the National Agency for Constructing and Managing Hydraulic Infrastructures for Irrigation and Drainage (AGID) B.P. 31 Bordj El Bahri (W. de BOUMERDES)

### EASTERN HEALTH AND SOCIAL SERVICES BOARD

### PROVISION OF SUPPORT SERVICES

### CATERING LAUNDRY DOMESTIC

Applications are invited from competent contractors for inclusion on select lists of firms who may be invited to submit tenders for the provision of the above separate services within the Board's area.

Application forms and further information may be obtained on request from the Area Competitive Tendering Manager, Eastern Health and Social Services Board, 12/22 Linenhall Street, Belfast BT2 8BS (telephone 0232 321313) and should be returned before 4.00pm on Friday, 11 November 1988.

### **LEGAL NOTICES**

### Judicial Sale

On Wednesday, November 9, 1988 at 14.00 hours the twin-screen motoryacht registered under number 711552 in the register of ships at Southampton, United Kingdom, "Extasea A", - hereafter "the Yacht" -, will be sold by enforced sale in a session of the District Court at Bois-le-Duc, The Netherlands, Beundsestraat 30.

The sale will take place at the request of the company organised and existing under the laws of the United Kingdom PKFinans International (UK) Limited of London, United Kingdom, - hereafter "the Bank" -, in this matter having chosen domicile at Rotterdam, The Netherlands, Blaak 333, at the office of Loeff & van der Ploeg, advocates and notaries public, as well as at Oss, The Netherlands, Raadhnislaan 2, at the office of the town clerk and at Bois-le-Duc, The Netherlands, Sint Jorisstraat 11, at the office of Van Leenwen & Noordijk, attorneys, of which firm Mr. C.M. van Leenwen, I.I.M. has been appointed to pursue the judicial sale of the Yacht in the above-mentioned session.

The sale will take place for account of the owner of the Yacht the company organized and existing under the laws of the Channel Islands Mercury Craising Limited of St. Peter Port, Guernsey, Channel Islands, and having office there at Frances House, Sin

The sale will take place by virtue of the engrossment of a judgement dated Soptember 30, 1988 of the District Court at Bois-le-Duc, The Netherlands, rendered under number 3358/88. The above-mentioned engrossment was served upon the above-mentioned owner on October 7, 1988, with the order to pay sums amounting to DF1. 5,209,549.59 for principal, DF1. 193,978.31 for interest and DF1. 10,000.75 for costs, without prejudice to interest and costs otherwise

Technical data of the Yacht: motoryacht, built at Oss, The Netherlands, at the yard of Heesen Shipyards B.V. in 1987, length 31.52 m, breadth 7.60 m, moulded depth 3.25 m, maximum draught 2.76 m, gross tomage 236 tons, net tomage 71 tons, propulsion two 16-cylinder engines, bore 142 mm, stroke 160 mm, with a capacity of 1932 kW, built by Klöckner-Humboldt-Dentz AG at Köln, Federal Republic of Germany

The Yacht will be sold "as is where is". The Yacht which was seized before judgement on August 19, 1988, by R.J.M. van der Vlies, process-server with the District Court and the Cantonal Court at Bois-le-Duc, The Netherlands, is presently lying at Oss. The Netherlands, at the yard of Heesen Shipyards B.V. Inspection of the Yacht can only take place after prior permission of the advocates of

The Yacht will be sold to the highest bidder in the Dutch auction. Bidding at the auction can only take place by advocates or notaries public admitted in the district of Bois-le-Duc, The Netherlands. The conditions of sale have been filled at the office of the clerk of the District Court at Bois-le-Duc, The Netherlands.

The upset-price of the Bank on the Yacht with appurtenances amounts to DF1. 5,700,000.—.

The attorney of the Bank.

Further information will be given by Mr. W. Verhoeven, LL.M., and Mr. M. -W.F. Oosterhuis, LL.M., of Loeff & van der Ploeg, advocates and notaries public, Blaak 333 or P.O. Box 21022, 3011 GB respectively 3011 AA Rotterdam, The Netherlands, tel: 10-4147555, telex: 23395 (lex n1).

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Tenders

FINANCIAL TIMES, 10 **CANNON STREET, LONDON** EC4P 4BY

NOTICE OF INVITATION TO TENDER ISSUED BY THE GOVERNMENT OF THE DEMOCRATIC REPUBLIC OF MADAGASCAR FOR A PROJECT FINANCED BY THE WORLD BANK

1. Participation

Participation is open to the eligible countries as follows: all Member Countries of the World Bank, Switzerland, Taiwan and China.

Supply of 2 (two) lots of crude oil as described below: First lot:

Type: Either OMAN BLEND or ARAB LIGHT or BASRAH LIGHT Quantity: 50,000 MT. more or less 5 PCT Port of discharge: Toamasina (TAMATAVE) Democratic Republic of Madagascar

Delivery date range at Tamatave 26-30 November 1988

Second lot Type: Either QATAR LAND or ZARZAITINE or BEKAPAI

Quantity: 50,000 MT, more or less 5 PCT Port of discharge: Toamasina (TAMATAVE) Democratic Republic of Madagascar Delivery date range at Tamatave: 27-31 December 1988.

3. The tender dossier

is available in French and can be obtained free of charge at the following address: SOLIMA

2 Avenue Grandidier - ANTANANARIVO 101 Tel. 206 33, Telex 22222, Telefax 33474

- AMBASSADE DE MADAGASCAR 4 Avenue Raphaël, 75016 PARIS CEDEX FRANCE Tel. 45 04 62 11, Telex 610 394

4. The submissions

should arrive not later than 18h00, Paris time on 18 October 1968 at the following address:

AMBASSADE DE MADAGASCAR, 4 Avenue Raphaël, 75016 PARIS CEDEX FRANCE Tel: 45 04 62 11, Telex: 610.394

### LA.T.A. MEMBER



Tenders are invited for the supply of aviation petroleum and hydraulic fluids as specified in the Schedule attached to the Particulars and Conditions of International Tenders for Aviation Fuels for a period of three years ending on the 31st of December 1991, at each of the following locations:

KENYA AIRWAYS LIMITED

Athens, Cairo, Addis Ababa, Dubai, Entebbe, Frankfurt, Harare, Jeddah, Khartoum, London (Heathrow), Geneva, Muscat Seeb, Rome (Flumicino), Milan (Malpensa), Zurich, Paris (Orty).

Particulars and conditions of tender are available in Kenya Airways offices in New York, London, Paris and the office of Company Secretary in Nairobi, namely:

- London 16 Conduit Street W1

- New York 424, Medison Avenue, 6th floor, New York N.Y. 10017

Paris, 8 Rue Daunou, 75002 Paris

- Rome, Via Due Macelli, 47 00187

consideration.

Office of Company Secretary, (see address below). Tenders in plain sealed envelopes marked "CONFIDENTIAL: Tender for Fuel Supply" without further indication of the contents, should be addressed to the Company Secretary, Kenya Airways, P.O. Box 19002, Nairobi, or delivered to the Headquarters Building, Embakasa, Nairobi, so as to reach him by noon G.M.T. on Friday 9th November 1988. Any tender received after that date will not be taken into

Kenya Airways shall not be bound to accept the lowest or any Tender. **COMPANY SECRETARY** 

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# WHO GAVE THE UNDERGROUND A ROYAL SEND OFF ON THE JUBILEE LINE?

WHO DID THE UNDERGROUND TURN TO WHEN THEY WENT OVERGROUND TO HEATHROW?

Who had the Underground Laughing all the way to the Bank?

WHO BUILT A
WAPPING 3,200 RAIL CARS

WHO GAVE THE UNDERGROUND MORE SEATS IN WESTMINSTER?

FOR THE UNDERGROUND IN THE LAST 30 YEARS?

WHO HELPS THE UNDERGROUND STOCKWELL FOR THE FUTURE?

# METRO-CAMMELL (Moelse.

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METRO-CAMMELL—YEARS AHEAD IN THE PERFORMANCE, QUALITY AND SERVICE BUSINESS.

### MANAGEMENT

few years ago, the chief executive of a British company returned from Japan in a happy mood. The cause of his satisfaction was that he had persuaded a Japanese company to manufacture under icence an electronic component developed by his own

organisation.
The British executive had demanded a down payment rather than royalties from the Japanese company. The Japanese agreed to pay £200,060. The British executive thought

this was more than enough. On his return, however, someone suggested that he work out how much his company had spent on the development of this component. He did

so. The answer was £2m.
The story was told over lunch at a conference which took place earlier this week near Weston-super-Mare. The conference, an introduction to licensing, was organised by the Licensing Executive Society and the Department of Trade and Industry in Bristol.

The question of how much to charge for a licence, the conference was told, was not the only trap for the unwary. Stephen Green, a Manchester solicitor, told the story of a licence which allowed the licensee to operate throughout the British Empire. From the point of view of both the British Empire and the licensee, Green pointed out, it was "downhill all the

Speakers pointed out, how-ever, that licensing can offer many advantages to both licenser and licensee. The licenser might be sitting on an invention which he is unable or unwilling to exploit himself. He could, however, earn sub-stantial royalties if he allowed someone else to manufacture and sell the product.

The licenser might, for example, be a university or research institute which has developed a product but does not have its own manufacturing and marketing facilities. Or it might be a company which wants to sell its product in a country whose government insists that manufacturing be carried out by a local organisa-

The licensee organisation, on the other hand, usually wants to gain access to a technology it is unable to develop itself. Brian Freeman, a Bristol licensing and patent agent, defined licensing as "an arrangement by which one organisation is given the right to use or exploit property belonging to another in return

Basil Bard, a former chief

Licensing

# A means to a particular end

RIGHT, WE GET GLOBAL MANUFACTURING

Michael Skapinker reports on the advantages and potential pitfalls



the licensee has "How much

money do you want him to put

into this project? You only

want a licensee who's prepared

to take your product seriously and invest in it and invest in

marketing and sales," he said.

include exhibitions, trade fairs

and conferences. The commer-cial departments of embassies

vary in quality but are often a

good source of contacts, he said. You may consider it worthwhile advertising dis-

Once a potential licensee has been identified, it might be an idea to sound out the licensing

manager of the company con-cerned, Bard said. The first let-

ter, however, should probably

be to the senior management,

as they will ultimately have to

Once the licenser has man-

aged to interest the would-be licensee in the product, he

should ask him to sign a confi-

dential disclosure agreement.

The future licensee's signature,

Bard said, is usually an indi-cation that his interest is seri-

"Having found a potential

partner, you might want to introduce him to your techni-cal people and let him visit

give their approval.

Places to look for licensees

executive of the National Research Development Corporation, said that a licence would often begin as a right to sell a product in a particular territory, with the licensee acting as a principal rather than as the licenser's agent. The licenser would then retain the manufacturing rights until the licensee's sales rose to the point where it became feasible for a manufacturing licence to negotiated.

How should the licenser go about finding a licensee? Bard warned the conference that "the path of the would-be licenser is beset with obstacles. It takes time. If anyone is in a hurry to find a licensee they should forget it, because they are unlikely to find the right

Bard suggested that every would-be licenser should begin with a process of self-analysis. "Why do you want a licensee and what kind of licensee do you want? Do you want someone who's a mirror image of yourself?" The licenser should think about the territory in which he wants the licensee to operate. "You don't want him to compete on your territory,"

The licenser should also think about the resources that your factory," Bard said. It is even more important, he added, that the licenser visits the potential licensee's factory and also inspects his sales and marketing arrangements. How should would-be licens-

ees go about finding a licenser? Ray Cass of Borax Research Ray Cass of Borax Research said they should begin by dis-cussing their requirements with the DTI. They should also ask the British Technology Group to enter their requirements on their database

A search of the patent literature might reveal people who have developed products which they are not manufacturing. Private inventors are often looking for companies to put their ideas into practice. Uni-versities are another potential source of technology, he said.

In these cases, Cass warned, the licensee might still have to put a lot of time and money into developing the product for commercial use. Even if a prod commercial use. Sven if a prod-uct is fully developed and being manufactured elsewhere, it is likely that the licensee will have to do further research into whether, for example, local materials are suitable for manufacture.

Stephen Green, the solicitor who addressed the conference, said that there is no such thing as a standard licence agreement and that proper legal advice is essential. The parties need to ensure, for example, that their proposed agreement does not contravene European Community competition law.

Parties to the negotiation should discuss with their solicitors beforehand what the heads of agreement should be. But they should not, Green thought, take their solicitors with them to the negotiations.

Lawyers tend to be gloom and despondency merchants," he said. "We can be a nuisance if we build up an atmosphere of mistrust between the parties. Refer to your lawyer out of sight of the other party for

the time being."

Among the issues that should be included in the agreement are what sort of support the licenser will have to provide to the licensee once the latter begins to manufac-ture and sell the product. "Most good agreements will quantify the licenser's obligations in money terms or man hours so that it's not an open-ended commitment," he

Further information on the conference may be obtained from Doug Ponsford, DTI, The Pithay, Bristol BSI 2PB. Tel-0272-272666. He will also be able to advise on the availability of a booklet, A Layman's Guide to

Countertrade

# Tackling a problem at its roots

Peter Montagnon on CIM's answer to ensuring it receives good quality products The problem in countertrade is essentially one of matching the product to the market, he

ne of the perennial from abroad.

problems faring those engaged in countertrade with developing countries and Eastern Europe is that they end up having to dis-pose of sub-standard industrial products at distress prices. To countries which con-

scionsly use countertrade as a means of paying for imports, it frequently matters little that the international marketplace shows little or no interest in shows little or no muerest in what they produce. Once a countertrade deal is agreed this is no longer their problem but one that can happily - or unhappily - be left to their partner in the West.

CIM International, a small

and relatively young food prod-ucts concern based in Fareham, Hampshire, believes this is a problem that should to be tackled at its roots. Though it has a turnover of only 23m and just 13 employees, it has man-aged to sign up deals with both China and the Soviet Union.

In both cases its selling point has been a direct involvement with the production process to ensure that the goods it receives command premium prices in Western markets.

Paul Wright, its managing director, started his profes-sional life as a meat inspector in Acton. By dint of persistance, straight-talking and a degree of marketing flair musual in a British businessman executive, he is now helping to set up a vegetable can-ning factory in Laohekou, Hubei Province, a city that, before his arrival, had never before been visited by a West-

Under the scheme, which has been officially endorsed by the Chinese authorities in Beiling, CIM will be responsible, together with a major group in British agribusiness, for constructing the plant and managing its production. The costs will be met out of proceeds of the sale of products such as canned asparagus, ratatouille, mange-tout peas and broccoli. The plant will be constructed

to the rigorous standards set by the US Department of Agriculture and from the outset at workforce will be trained to produce goods to Western stan-

Under a further countertrade arrangement raw materials for producing the tin cans as well as seeds will be brought in

A similar concept is being applied to the Russian project, aithough this is not quite so far arivanced. Here, CIM has set up a joint venture with SATRA, a UK-based specialist SATERA, a UK-based specialist trading company that handles Lada car exports to the UK and introduced Cota Cola to the Soviet Union. SATRA would like to sell Commodore computers in the Soviet Union, but to do so it has in find to do so it has to find products which it can buy back in

Armed with a framework agreement from the Soviets, the venture is now negotiating the details of a series of plants to produce such products as frozen chipped potatoes, apple juice concentrate, tomato paste and fresh winter cucumbers. Once again the aim will be to produce premium quality

"Chinese and Russian prodnct is wrongly perceived, says Wright. "No one's explained has belped them manage it."

Getting that message across and insisting on proper quality control is a sensitive matter in a state-run economy. Wright says he wan the confidence of the Hubei authorities by warning tham against their original plans to produce tomato paste, a heavily protected product.

"I just told them straight the reasons why they shouldn't do it. Because we did tell them in



that manner, they responded quickly.

Without glasnost and perestroiks in the Soviet Union, he believes the projects there would be inconceivable. The Soviet plans include tomate paste, but unlike Hubei, which was starting from scratch, this is more a question of upgrad-ing existing output to comform better to Western require-

Communication is also very important at the shopfloor level. Wright says he makes a point of visiting plants in the developing world from which he is taking goods and showing workers photographs of English supermarket counters so that they can have a better idea of what is required.

South America and Australia. With the help of a team of with the map of a team to executives lured away earlier this year from Allied-Lyons, it is now planning to deal direct with high-street supermarkets. Managing such projects and marketing the output is not something which a small com-pany like CIM can easily do on its own. To belp with this it has entered a cooperation with the commodities division of the commodities division of Goode Durrant, through which it plans to market products like Soviet honey, urea and dried fruits. For China it origi-nally planned to work with Balfour Beatty but has now switched to another partner

says. "If the product quality is constant, and the availability

cursum, and the shipping is constant and the shipping is on time, then they get their money." That means, he says, that the Western partner needs to be involved in quality control.

The other side to the busi-

ness, however, is marketing and distributing the end product. CIM already has its own experience in selling to wholesalers, particularly fish which it sources from Malaysia, Indonesia, India, the Philippines, Thailand, Pakistan, South America and Australia.

business experience but is not at this stage willing to be Wright says he believes it has been up to a small com-pany like his to start the ball rolling because larger companies lack the marketing interest and determination. The danger is, he says, that as larger operators discover how to handle the business CIM might end up being left out in

which has more direct agri-

For developing countries anxious to export, however, there is an obvious attraction in the offer of co-operation to upgrade their products. The precision and involvement required in this kind of countertrade means that it is anlikely ever to generate the kind of bulk business that can he used to offset major pur-chases of equipment such as

Nonetheless, Wright believes he is helping develop a new approach to countertrade. "No one really does it well," he says. "Particularly the banks."



A vegetable canning plant similar to that which Citi is proposing to set up in Hubel province in Chim.







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# FINANCIALTIMES SURVEY



The effect on
Switzerland's third
financial centre of
the drive towards a
single European

market is unclear. However, Lugano believes it still has

significant advantages over Milan, for instance. A three-page survey

by William Dulfforce

# Game's rules may alter

LUGANO, a town of fewer than 30,000 inhabitants picturesquely shoehorned into the southward facing bay of an Alpine lake, is generally identified as Switzerland's third biggest financial centre after Zur-

gest financial centre after Zurich and Geneva.

Its evolution from a tiny, select tourist paradise has unfurled over the last three decades, generated by private north Italian capital seeking a more liberal and secure haven across the border.

across the border.

This development has been punctuated by a few resounding scandals in the neighbourhood, such as the Chiasso and Pizza affairs, and accusations of money laundaring which the local community's present leaders hope to have extir-

A continuing influx of foreign banks and security houses has confirmed the growing importance of this small town in the Italian-speaking Swiss canton of Ticino on the world financial scene

financial scene.

Yet this week, as it hosts its second international banking symposium, proclaiming its right to be considered in the plans of major financial players, Lugano's future is by no

A constant fount of argument is the effect on Lugano of

progress towards a single market after 1992. Switzerland is not part of the EC and does not intend to seek membership in the near inture.

Concern in Lugano focuses on Brussels' preparations for the removal of barriers to capital movements among the 12 EC members, in particular on how these will change regulations and practices in Italy.

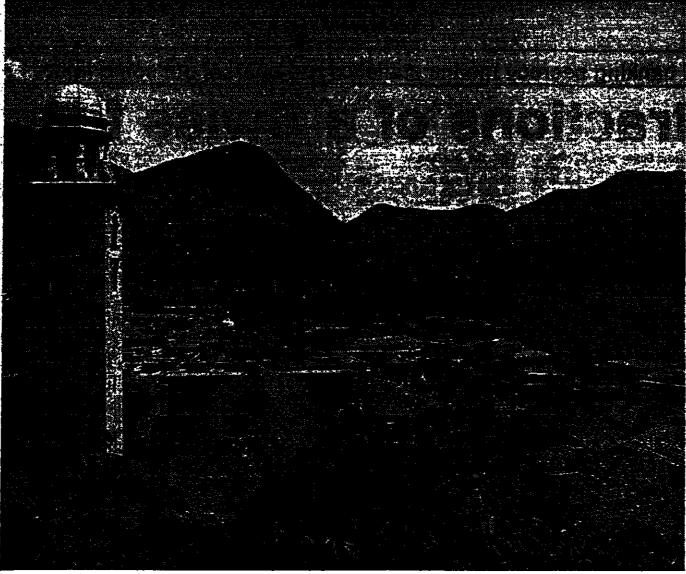
Some Luganesi fear that

Some Luganesi fear that freedom of capital movement between Italy and the rest of the Community will remove Lugano's raison d'être as the offshore financial centre for Milan and the vast industrial area of Northern Italy. This could have a calamitous impact on a town where 12 per cent of the active population currently works in a bank.

This line of thinking is heard

even more often in Zurich and Geneva. Bankers in Lugano riposte by arguing that it shows a complete failure among Swiss north of the Alps to comprehend the special circumstances promoting the emergence of an international financial centre in Ticho and the particularity of its ties with Baly.

Tangible foreign expression of confidence in Lugano's future was demonstrated in-May this year, when the two big West German banks, Deut-



A view of Luciano with the Cathedral of St Lawrence, and, in the background, Mount Bra

# LUGANO As A Business Centre

sche Bank and Dresdner Bank, simultaneously opened offices.
The big Japanese security houses have been reinforcing their operations in the town and earlier the Republic National Bank of New York run by that shrewd Lebanese banker, Mr Edmond Safra, put

Japanese interest in Lugano is attested by their holdings in the two higgest locally based banks. Sumitomo Bank bought a controlling stake in Banca del Gottardo in 1984 and this year Taiyo Kobe Bank has taken a minority participation in Banca della Svizzera Ital-

up its signboard.

Fiat and Montedison are among the Italian concerns which have recently established holding companies in Lugano, indicating that business advantages are still to be found on the Swiss side of the bonder. Benetton has long organised its foreign operations from the township.

Despite this seemingly concrete evidence of foreign belief in Lugano's future, sceptics note that the investments made by major foreign banks and companies in Lugano are insignificant compared with their total assets and could be painlessly written off, if results were too meagre.

The sense of uncertainty surfaced in July, when local feeling was aroused by a remark by Dr Markus Lusser, the president of the Swiss National Bank.

Noting in an interview with an Italian newspaper that the flow of capital across the border had slowed significantly, Dr Lusser suggested that, while it would not disappear altogether as a financial centre, Lugano would be able to play only a secondary, supporting role to Milan after 1992.

Lugano's claim to be Swit-

ing role to Milan after 1992.

Lugano's claim to be Switzerland's third largest financial centre rests on the volume of its asset management and pri-

vate banking business. A reasonable guess, based on information gathered from local consultants, would be that funds managed from Lugano amount to around SFr65bn (\$41bn).

Bankers' estimates vary but as much as 80 per cent of this total probably originated in Italy. Part is reported to be of South American origin. Some investment from a few US states, such as Texas and California, is said to pass through Lugano.

However, Lugano's good fortune has been its ability to plug into the small and medium-sized business which has stimulated Italy's economic resurgence over the last 30

years.

The bulk of the banknotes amnggled across the horder—
in panty hose and suitcase, as one banker put it—from the late 1950s chwards came from owners of small and mediumsized family companies seeking to protect their earnings from Italian inflation and from the depreciation of the lira. Later, from the late 1960s the flight was stimulated by the wave of terrorism in Italy.

A deposit with a Swiss bank. benefiting from the appreciation of the franc, was in itself a good investment for an Italian businessman in the 1960s and 1970s. But demand for more sophisticated money management attracted the big US and other brokerage hous Lugano, stimulated foreign exchange trading and has produced a plethora of small finance companies offering portfolio management services. However, the flow of private Italian money has stagnated. It may even have started to level out in the 1970s when Italy passed a law - since amended - making illegal currency exports a criminal offence. The revival of the Milan stock exchange and of Italian inves-tors' interest in equities in the

1980s has also contributed to curbing the cross-border flow. For Lugano the nature of the game is changing and the challenge is more demanding. The relaxation of Italian controls on capital movements and foreign investments, which came into force on October I, may offer new opportunities for Lugano but will certainly also reinforce the competition from the Italian banks themselves and from other financial cen-

Against the perspective that as yet undefined new freedoms for capital movements can be introduced within the EC after 1992 and the current, undigested liberalisation moves in Italy, it is understandable if the local banking community in Lugano feels that it is peering into the clouds.

ing into the clouds.

Most bankers, nevertheless, remain optimistic. Swiss efficiency, the quality of service offered, not least the world-wide communications apparatus and the information systems put in place, will still make the difference, they argue.

A greater realism also seems to be emerging. Mr Giorgio Ghiringhelli, president of Banca della Svizzera Italiana, for instance, has been puncturing the pretension that Lugano can function as an important international financial centre.

A town without a stock

A town without a stock exchange or an autonomous foreign exchange market cannot be a financial centre, he argues. He refers to the weak-

ness of the capital base in Ticino and the domination of its market by branches of the big Swiss banks, whose decisions are made outside the can-

ton.

No pessimist, however, Mr
Ghiringhelli believes Lugano
has several advantages to
exploit. Sheer propinquity to
one of Europe's richest industrial and business areas is one

– Milan is an hour's drive. To
that like most of his colleagues
he adds the common language
and culture and the personal
ties already created across the

border.

But, Mr Ghiringhelli points out, the Lugano banks can no longer sit and wait for clients. They must start selling their

There is much talk in the town of the Italian institutional market, in particular of the investment funds which have been growing fast but whose managers lack experience in running international portfolios

Swiss efficiency has to be nurtured and promoted. The speed with which transactions can be completed from Lugano is contrasted with the delays at bureaucratically enmeshed italian banks and on the Milan equities market.

Several big Italian companies have apparently learnt the convenience of financing and managing their imports through Lugano. For one thing, currency prices can be more accurately estimated than in Italy.

Prospects further afield are

Prospects further afield are also being assessed, although not every banker or broker believes that the catchment area for the town's private banking services can be extended to the "Mediterranean basin", as some argue.

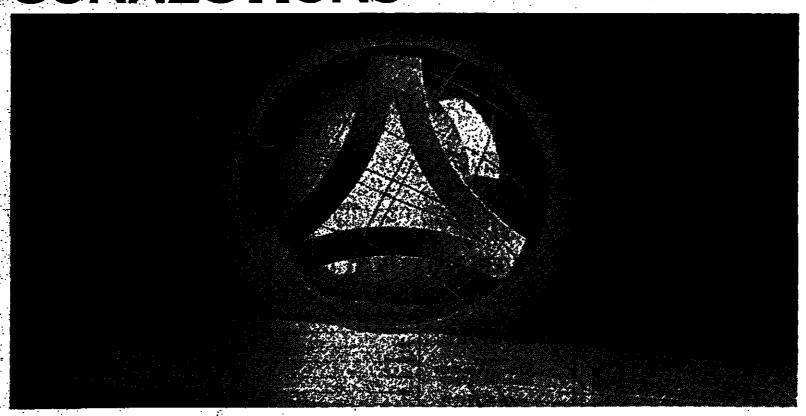
Shortage of skilled personnel

Shortage of skilled personnel is a serious limitation, although Mr Luigi Generali, president of the Ticino bankers' association, has launched a project to establish in Lugano an institute for training bankers.

ing bankers.
In other important respects
Lugano already possesses
many of the appurtenances of
an asset management and business centre, if not of a
full-blown financial centre.
These include luxury hotels,
top-class restaurants, jewellers

The banking community has very successfully exploited in the recent past Lugano's special situation to purvey its financial services. Now, even if the EC's internal ambitions may shortly change the rules of the game, most bankers in the town believe that they have the apparatus and skills in place and the unique knowledge of the Italian market-place with which to exploit the opportunities. But, for sure, the competition will be tougher.

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# The vital attractions of a Swiss financial centre

SOME 50 banks have hung up their shingles in Lugano. The telephone catalogue lists 49 but there have been later arrivals such as the two West German giants, Deutsche Bank and Dresdner Bank

The commercial register shows 75 finance companies, fiduciaries, financial consultants and portfolio managing concerns but has certainly not netted all the operators in

Several big international brokerage firms, notably from the US and Japan, have set up sizable operations, signalling the pickings to be made from the investment activities generated by Internation control. erated by Lugano's central financial function - the man-

agement of wealth. Altogether, banks, brokers and finance companies make up an extremely impressive concatenation of financial intermediaries for a municipality with a population of under 30.000 - or of about 50,000, if the neighbouring communes

At least 5,500 people work in

body's guess how many are employed by the finance companies and brokers. (A further 1,500 are employed by banks in Chiasso, just down the road on the Italian border.)

It is a hazardous preoccupation to gauge the real impor-tance of Lugano as a financial marketplace, to guess the pres-ent and future volumes of financial business transacted, not least for foreign bankers wondering whether they need to get into the game. Statistics are sparse. Swiss

banking secrecy casts a fog and the intensity of the compe tition inhibits market players from showing their hands.

Figures published by the Ticino cantonal authorities give some rough clues, if one relies on the common assumption that Lugano accounts for about two-thirds of banking

(UBS) paid most in salarles, SFr86m (\$54m), in 1987 and employed 1,600 people in the canton at the end of the year.

activity in the canton.
Union Bank of Switzerland

850 employees. Like the other big Swiss bank, Swiss Bank Corporation, UBS and Credit Suisse do not publish separate balance sheets for their busi-ness in the canion.

Banca della Svizzera Italiana (BSI), Lugano's own bank, was the second largest employer in the canton, paying SF70m to 1,075 employees. It posted assets of SF76.6bn at the end of 1987. Banca del Gottardo, also based in Lugano, paid SFr38m to a staff of 600 and showed ets of SFr4.9bn at its year's

Extrapolating from BSL, ignoring the efficiency factor and the assets held outside the canton by the two Ticino banks, one arrives at a rough estimate of SF126bn for the balance sheet totals of the canton's four biggest bank operations.

This compares with the fig-ure of SFr30bn in assets held in Ticino by all banks, including foreign, at the end of 1985 published by Mr Luca Soncini and Mr Mario Maccanelli of Banca del Gottardo. More important, and even

more difficult, is the assessment of the volume of funds under management in Lugano. A local consulting firm with a high reputation calculates

that the big banks manage between them close to SFr40bn (\$25bn). It puts the share of the smaller banks, both Swiss and

foreign, at between SFr10bn This would suggest that, given their overheads, not all the smaller banks can now be

management business – a

the banks continue to take the (relatively high) commissions on transactions.

The consultants say they have allowed for the possibility of counting twice investments managed by small finance companies but deposited with the banks. Adding their estimates gives a bracket of between

Servicing Italian private and business clients will continue to be the town's main function

remark that would certainly apply to the foreign banks that have recently moved in,

A couple of well entrenched finance companies probably have close to SFr2bn under management between them, according to the consultants. There are between 18 and 20 middle-sized finance companies, managing between SFr200m and SFr500m each. The bulk of the remaining finance companies, anywhere between 50 and 100 in number, make a living by administering

SFr50m-SFr100m each. Quite a few are owned by former portfolio managers of the big banks, who have set up on their own, taking a dozen or so clients with them. Their

SFr58bn and SFr77bn for the

They believe a "ballpark" figure of SFr65bn for portfolios managed from Lugano is prob-ably about right. This is higher than "guesstimates" published

previously.

A good 60 per cent would seem to be controlled by the big Swiss banks, a circumstance which is sometimes referred to nervously in the local community. Should the Swiss financial centre be forced to retrench after the formation of the European Community's single market, Lugano could not expect to be favoured by decision makers in Zurich and Basie, a local banker said.

under management are Italian. When the business was grow-ing in the 1960s and 1970s the cross-border flow was almost exclusively private money and the average portfolio was said to be SFrim-2m.

Now, with the easing of restrictions in Italy and the greater attractiveness of domestic investment opportunities, the flow of private funds has substantially diminished.

The expected further easing f capital movements within the European Community poses a different challenge. It is whether bankers and bro-kers can exploit successfully the current greater efficiency of Lugano's financial infrastructure over that of Milan to tap new business - in Italy and perhaps elsewhere.

Italians' savings ratio is probably second only to that of the Swiss in Europe. Their institutions have less experience than the Swiss of interna tional asset management.
Some of the smaller banks setting up in Lugano appear to believe they can attract clients from Arab-speaking and Span-ish-speaking countries.

However, servicing Italian private and business clients will continue to be Lugano's main function. The question is

whether that service can be diversified in clientele and product — to Italian-institu-tions and to, say, trade finance and other corporate business.

To some extent this is already happening. Among the brokers the Shearson Lehman Hutton office in Lugano has the higgest slice of the institu-tional business. Five years ago its customers were almost exclusively Swiss. This year, admittedly at a much lower volume following the October 1987 stock market crash, half its business is coming from

Italian chents. One effect of the arrival of the big German and other banks and the intensification in the activities of the big Jap-anese securities houses is that competition for business and personnel is becoming flerce, if

not desperate. The chief target for the new arrivals is the big Swiss banks that currently control 60 per cent of the market but have been steadily losing key staff. Deutsche Bank's Mr Daniel Corna is frank: "We are trying to offer better service than the big banks for people with SFr10m to SFr20m to place."

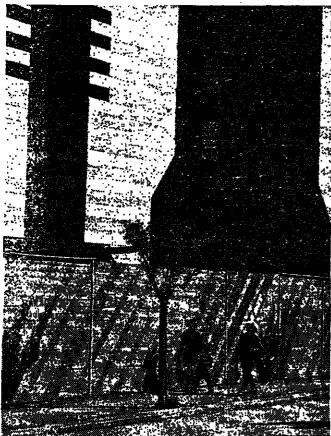
Nomura started its Lugano office with a staff of five in December 1984. It now employs the general manager, says:
"We shall need more to take a
larger slice of the cake."

However, a crucial motive for the banks currently setting up office in Lugano is certainly to keep an eye on Milan, only an hour away he can and an hour away by car, and to develop their business contacts in North Italy. Why not move directly to Milan?

Opening in Milan is regarded as a gamble. The market is tough and, as one banker put it, "the climate is not kind to foreign bankers."

A foreign broker in Lugano was even more severe. "If you move to Milan, your expenses will go through the roof, your social security costs will equal your salary charges. You will pay higher taxes and you can-not dismiss staff. Here systems work: there you are tied up in bureaucracies and poor com-munications."

Among Swiss banks only Julius Baer, the Zurich-based investment bank, has so far opened an office in Milan. Lugano then clearly still has vital assets, attractions and prospects. But it would also seem that its growth perspective depends on how long it takes Italian bankers and brokers to become efficient.



Gottardo's new headquarters on Viale Franscini. A model of the building, designed by Mario Botta, is in the New York Museum of Modern Art

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A Phoenix-like revival under Sumitomo BANCA DEL Gottardo (Gotthard Bank) obtains some very good references these a net profit of SFr40m and showed a cash flow of SFr77m days. For one senior foreign on net revenues of SFr163m. It paid an 18 per cent dividend. Gottardo, whose shares are broker it is "the liveliest bank in Lugano. A recent Swiss academic listed in Frankfurt, Luxembourg and Vienna as well as in Zurich, Geneva and Basle, has study graded it as the most efficient of the 30-odd Swiss some 6,000 shareholders in

banks, including the Big Three, analysed. Among other merits it recorded the highest earnings per employee.
This is pretty good going for a bank that five years ago was still shadowed by the Banco

Ambrosiano affair, from which it emerged intact, when in 1984 the Ambrosiano creditors signed a document releasing it from any claims. Gottardo's Phoenix-like

revival is symbolised in the new building on the Viale Franscini, into which it has just moved its headquarters. Designed by Mr Mario Botta, a Lugano-born architect of international fame, this imposing modern structure represents an investment of more than SFr130m (\$82m), including the interest income.

cost of the land. The obvious question is to what extent Gottardo's recent good performance is due to Sumitomo Bank, Japan's second largest bank, which took

control in 1984. Sumitomo made a good deal when it acquired for only \$144m, roughly book value, a 42 per cent equity stake carrying 52 per cent of the voting rights. But it appears to have pursued a hands-off policy, leaving the running of the bank to the mainly Ticino-born executive board under Mr Francesco Bolgiani.

addition to Sumitomo. On June 30 this year its balance sheet disclosed total assets of SFr5.3bn with shareholders' equity amounting to

Although nominally organ-ised as a Swiss universal bank, Gottardo is non-typical in that it possesses few branches outside Ticino, has a relatively small credit business and proportionately large fund management and securities operations.

In 1987 it earned SFr71m net from foreign exchange and precious metals trading compared with only SFr26.5m in net

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For its size it is particularly strong in underwriting, regularly lead managing a dozen issues a year in Swiss francs and specialising in equity-linked bonds for Japanese com-

Oddly enough, the Japanes business slumped for a while when Sumitomo took over, Gottardo losing the costom of companies outside the Sumi-

tomo sphere. One cause of pride and presumably also of its reputation for efficiency is the very sophisticated (for its size) back office system built up over the

past 15 years. Like all Lugano banks, Gottardo's growth has been based on Italian custom. However, it started to diversify earlier than others. Mr Sirio Bassi, the senior vice president in charge of securities and new issue business, estimates that only 60 per cent of his clientele is now Italian.

A representative office has been operating in Frankfurt since the early 1970s and

exclusive

presence in the Stock Exchange); representative in London and New York.

pamphlet covering all the services a Swiss bank offers to its clientele

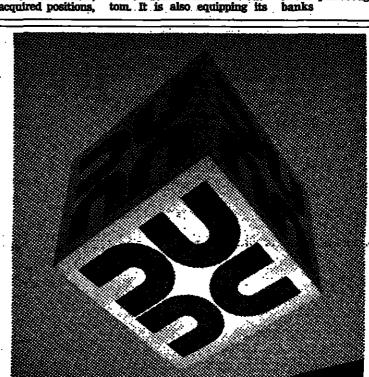
offices have been open for some years in Sao Paolo, Bue-nos Aires and Caracas.

BANCA DEL GOTTARDO

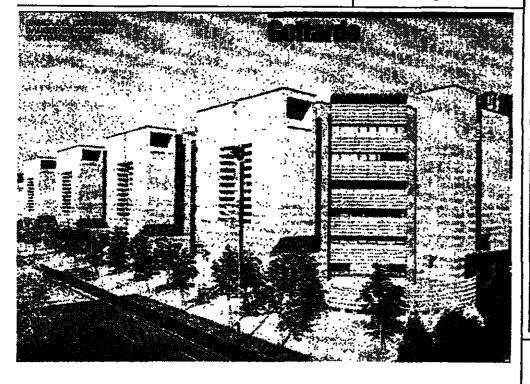
What will Gottardo do now? Mr Bassi's answer: "Consolidate our know-how, defend our acquired positions,

our border and see what we can do in Germany and Spain. With its new securities trad-ing room Gottardo hopes it can win Italian institutional cus-

tional business. It expects to expand its trade finance and even its commercial lending. In Geneva it has just bought two small



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and all over the world through its majority shareholder, The Sumitomo Bank, Ltd.

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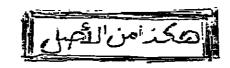
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ALL BANKING TRANSACTIONS, STOCK-AND FOREIGN EXCHANGE CORRESPONDENTS IN SWITZERLAND AND ABROAD







Giorgio Ghiringelli, président of Bance della Sufizzera Italiana, biggest bank in Ticino canton, and its administrative centre.

# Now the world is its oyster

BANCA DELLA Svizzera Italiana (BSI), Lugano's biggest home-grown bank; has just experienced a momentous change which is bound to have an important influence on its

Control has passed to Uni-Tower Holding, a partnership between Unigestion, a Genevabased finance company, and the Park Tower group owned by Mr George Klein, a New York real estate developer. The deal, managed by Uni-gestion; involved the purchase of the 38.7 per cent equity stake in BSI held by Irving Bank of New York and the 19.7 per cent of the voting rights held by Mr Tito Tettamanti, a Lugano-based financier and

It also led to the purchase by Taiyo Kobe Bank of Japan of an 8.6 per cent non-voting

Mr Bernard Sabrier, Uniges-tion's managing director, has dismissed rumours that his small asset management com-pany, which was helped in completing the deal by a credit from Swiss Bank Corporation, has been fronting for a bigger

The result is that BSI, Switzerland's sixth biggest com-

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mercial bank, now has a major-ity stakeholder which does not possess the capital resources of

possess the capital resources of a large bank.

Mr Giorgio Ghiringhelli, BSI's president, makes no bones about it: "Swiss banks have big capital requirements but our new shareholders are not going to provide constant capital increases, unless they see a return on their money." In other words, the BSI management, left in place since the takeover, is under

pressure to show more dynamism and to produce some quick results. In the past 10 years BSI's balance sheet grew from SFr2.5bn to SFr6.6hn (\$4.2bn) at the end of 1987. Reported net earnings advanced during the same period from SFr2.3 2m. same period from SFr22.7m to

SFr45.4m. BSI is a Swiss universal bank, covering the full gamut of financial operations. In con-trast to the big Swiss banks, however, its revenue split in recent years has shown a much higher proportion of off-balance-sheet asset manage-ment business to commercial banking operations.

This year, with equity markets slack, the 57/33 ratio between investment and

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ty, where technical features are marvellously modern; ty, where highly-trained staff is professionally expert; ty, where setting alone is a massive incentive; ty, where pleasure rewards on a per with the business:

closer to the 50/50 ratio common to other Swiss banks. It will be hard even to maintain earnings at last

year's level.
So, how will BSI set about improving its capital return?
By getting better returns on existing activities, both commercial and portfolio manage-ment. "We have the organisa-tion in place but we need to do a better marketing job," Mr Chiringhelli says, This means it will look for

growth outside Ticino – in Zurich, Geneva, New York and London, where it is already established. And BSI will open up in Milan, not in commercial banking, but in an asset management operation either on its own or in a joint venture.
"We must sell our services better to Italians and exploit the natural approach for us through Raly to the Commu-nity market," Mr Ghiringhelli

A member of the executive board has been sent to Zurich, where RSI is expanding its brokarage activities and building portfolio managing operations, it has just hired a team of secu-

rities analysis.
In Geneva it has attracted two bankers from Parihas to head an expanded operation created from the merger of its own branch with Banque Romande, a regional bank. In New York, where it moved into new premises last year, it has just hired the head and six of the staff of one of Chemical Bank's private bank-

The capture in 1981 of a manager and part of his team from United Overseas Bank enabled BSI to build up the strongest trade financing business in Lugano, heavily hiased towards North Italian

This is now being developed into a worldwide strategy with clients served by the New York and London branches.

At this stage, so soon after the arrival of a new majority owner, the least that can be said of the BSI management is

### **BUSINESS GUIDE**

# Good meals fancy prices

LUGANO has become LUGANO has become increasingly easier to reach by air, road and rail over the last five years. It has plenty of first-class hotels, good respansants with both international and local cuisine and a compact shopping centre in the old part of the town, in which several of the world's most remuted iswellers offer most reputed jewellers offer their wares.

Air. It is sometimes said that down the autostrada. agano would not have become known as a financial centre without Crossair, the Swiss regional airline. With its 33-seat Saab SF340 turbo props, Crossair provides an impressive daily service of some 50 flights each workday to and from Lugano's recently modernised Agno

This winter there will be eight flights a day from Zurich and six from Geneva, Paris (with a 10-minute stop in Berne), Rome, Florence, Venice and Nice are being served twice a day. Stuttgart can be

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eneva. Reil. Trains leave Zurich for Lugano once an hour between 6am and 10pm. The journey takes three hours, Road. Zurich is a

comfortable 2% hour drive down the motorway through the St Gotthard tunnel, but beware of holiday-season traffic sparis. Milan is one hour away

The old style Splendide Royal and the more modern Grand Hotel Eden – under

the same ownership - are five star establishments, each with an indoor swimming pool, on the lake front. At the other end of the bay the four-star Villa Castagnola attracts the

holiday clientele.
Lugano boasts 15 five and
four-star establishments. Prices ranged from SFr110 to SFr210 for a single room this year in the season between Raster and the end of October

RESTAURANTS There is an abundance of choice of eating place for a visitor, in town or in delightful ocations in the surrounding villages no more than half an hour's drive away.

One can find nouvelle cuisine, Italian gournest or provincial cooking and local Ticinese food. Businessmen entertaining should count on paying at least SF125 (more than 245) a head, but appetizing meals can easily be found at much cheaper

Local diners-out recon Cassarate for nouvelle cuisin *italiana* and Bianchi's in the Via Pessina for traditionalists For fish Al Faro in the Paradiso section gets many

Further out, the Santabhendio restaurant in Sorengo is frequently mentioned. And every local patriot recommends a meal at Posta Da Lucia in Cureglia, where the pasta is made by Lucia herself.
Real Ticino cooking, it is sometimes said, should be

tasted in the Grotti, the small restaurants, decorated in local style, where the salami is all

Al Bosco at Gentilino is mosi frequently named while, in town, La Tinera in Via dei Gorini is much loved by German visitors.

**BUSINESS CONTACTS** From October a new privately owned office starts functioning under the name Management Assistance,

telephone 565242. It offers to pick up at the airport, provide secretarial services, interpreters and bank contacts and to arrange interviews with potential business partners. Arabic is among several languages spoken.

### TOURISM

# Holidays shorten as they become more 'intelligent'

LUGANO IS not only a market beights reached in the centre where bankers and brokers of Zurich. where bankers and brokers work, to which wealthy people travel to deposit money and discuss their investments, it is also a splendid place to relax. This is as true for the banker ins is as true for the banker jogging along the promenade or reclining in a lakeside pool as it is for the holidaymaker taking a funicular to explore the hills or crossing by hoat to visit the Thyssen art collection in the Villa Favorita or to take a finiter at the casino in the Italian enclave of Campione. While the five star and four-star hotels with their business

talian enclave of Campione.

One tourist brochure, having explained that a Swiss federal scientific commission classifies resorts according to "degrees The problem is symbolised for any visitor strolling along the lakeside promenade by the of stress, position and alti-tude," lists Lugano's physical effects with admirable Swiss

thoroughness thus:
"Health giving to the heart, circulation and respiration. Lowering of metabolism and economic heat production. Sed-ative effect on the bloodstream and mucous membrane. Calming effects on the nervous

That may raise an eyehrow or draw a smile, but there is little doubt that for many a North European visitor envy mounts at this relatively small town's natural endowment in scenery and climate, the smooth service of its luxury hotels and the bounty of jewellery and fashion on display in the arched colonnades of its shopping centre. It is thus almost a relief to

learn that Lugano has prob-lems in maintaining its blend of business and pleasure. Banking competes with tour-ism. A deteriorating road traf-fic situation is blamed, varyingly and seemingly according to political conviction, on Italian businessmen visiting their bankers or on German holiday-makers.

A serious and still unre-solved debate has been going on for some time about the place of tourism in Lugano's life and the kind of tourist it should seek to attract.

The concentration of different types of service businesses in the town centre over the last 15 years has sent property prices skywards, of its appeal for the traditional reportedly as high as those of holiday-maker, to its traffic Geneva, if not yet to the dizzy problem and to the other

Tourism, it is calculated, still provides some 20 per cent of Lugano's domestic product and the tourist infrastructure remains big for the size of the town. Some 130 hotels offer

clientess with their displaces fictions the control of the character of the charac-an adequate return on capital from some of the chasper

physical constraints on its growth as both a business and tourist centre.

"Intelligent holidays" is a slogan now figuring more often in the promotional literature, highlighting the cultural possi-bilities of a town whose history barks back to Roman times. The convention centre has offered theatre, ballet by visiting troupes and concerts, including visits by the Vienna and Budapest philharmonic

Mr Foglia believes that visi-tors must be attracted by new ingredients to stay for week-ends or for shorter holidays

At the heart of the town's tourism debate is the assumption that it should not rely entirely on banking and financial services

abandoned bulk of the Grand Hotel Palace right in the middle of the curve of the bay. Visitors' average overnight stay has dropped from 42 days in 1970 to 2.8 days last year. The secondary residences, which have sprouted fast in in most parts of Europe.
At the heart of the debate recent years - and have become another cause for argument in a community proud of its architectural tradition —

also compete with the hotels.

According to the tourist office some 80 per cent of the overnight stays are still for lef-sure and pleasure rather than for business purposes.

Nevertheless, in spite of a highly charged and varied summer programme of events.

festival, barbecue or fireworks almost each weekend, Lugano no longer appears to be a place to which people will come to spend a lengthy holiday. Two-thirds of tourists visit-

ing Lugano are from abroad, a figure that is higher than the average for Swiss resorts. Germans make up 23 per cent of the total but the tourist office has had some success recently in attracting more

French speakers. In the view of Mr Eugenio Foglia, the tourist director, the town has to face up to the loss outside the summer season. This would call for more activity at the convention centre in March, April and November, when climatic conditions are after all better in Lugano than

over the future shape of Lugano's tourism, however, lies the generally accepted assumption that the town should not rely entirely for its livelihood on banking and the provision of financial services. Efforts are being made, at can-tonal level, to promote indus-try – of the clean, high technology, small-scale type. But it is evident that for

Lugano diversification of the economy really means finding new ways of exploiting its endowment as a tourist centre. A market research project has of younger, less wealthy people who have been deserting the town but whom the smaller hotels need as clients.

The research has not yet been completed but Mr Foglia's belief is that it will indicate the need for improving recreational facilities alongside the cultural attractions. Switzerfallen behind in satisfying the needs of young tourists.

In Lugano this would mainly mean re-emphasising the attractions of the lake, cleaned up after the pollution scare of the 1970s, when swimming was banned. To some extent a new nautical sports infrastructure has already been put in place, providing for sailing, water-ski-ing and wind-surfing. Further development could be controversial, since not

every Lngano resident welcomes the thought of more bodies adding to the present summer congestion. Some do not feel that this kind of tourism carries the right label. The political decisions have still to be taken. Funds have not been allocated for any new promotional effort. In any case public money available to the tourist office is derisory for a place where tourism is so

important .

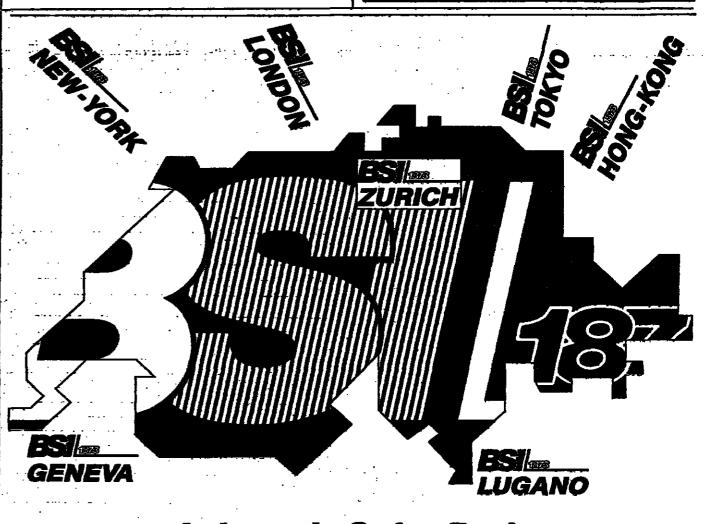
Meanwhile, free enterprise is filling the gap. A coalition of the big hotels is already plan-ning a festival, labelled the 1001 events, to celebrate the seventh centenary of the Swiss confederation in 1991. It will be fun, it will be beau-

tifully organised, but will it answer Lugano's dilemma in striking the right balance between banking and tourism?

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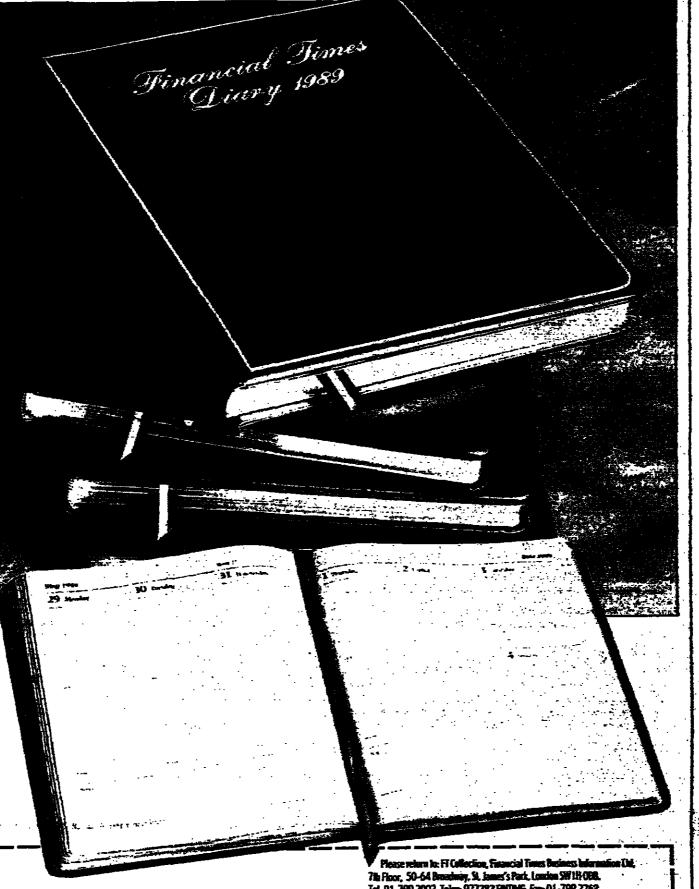


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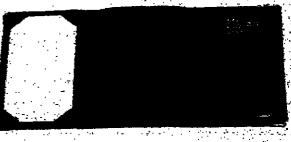
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# St Paul's according to Hawksmoor

Architects should work from known precedents in such an area, says Colin Amery

the Georgian Group's exhibition, Aspiring Visions (until November 4). It has taken a small voluntary group (with the help of its sponsors British Telecom and the Monument Trust) to present to the world the historical facts that determined the nature of the canvas upon which developers today struggle to compose their developments.

When the Prince of Wales spoke at the Mansion Honse almost a year ago he pointed out the need for us to grasp "this unexpected second chance" to rebuild around St. Paul's in a way that will enhance rather than obscure its beauty. If he looks in at this exhibition, he will see that ever since the Great Fire of London in 1666 commercial interests and expediency have come before aesthetics and inspiration.

I am surprised that the City Corporation does not seize the public initiative over the rebuilding of the whole of the Paternoster area to the north east of the cathedral and insist on a publicly approved and officially backed framework for the whole setting of St Paul's, There are valuable lessons in this dis-play of original material. There is a rare chance to see the actual plan made by Sir Christopher Wren for the rebuilding

And now David Thacker's

electrifying production of Ibsen's subsequent play

renews it as a complex, entirely pertinent dramatisa.

tion of issues surrounding pol-lution, personal resigonsibility in public office, media and political imperatives, loyalty

On the day that news were cleared by the High Court judges for reporting the allegedly treacherous revela-

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YOUNG VIC

pupil, Nicholas Hawksmoor. There is a proposed colonnaded piazza around the cathedral and a splendid domed beptistery at the West End. It is fall of architectural interest, being similar in many ways to Wren's design for the Royal Mews at Charing Cross, and the baptistery anticipates both the Maustleum at Castle Howard and the Radcliffe Camera.

The elevations and the general treat-

The elevations and the general treatment of the bulldings around the plazza would seem to be a clear source of inspiration for any inture scheme, with its tight shape the plan is totally appropriate - St. Paul's fits into it like a sumptnous key into a perfectly shaped

The exhibition culminates in the classical scheme prepared by the architect John Simpson for the Paternoster Trust These were first seen and much chance to see the actual plan made by admired by the public when they were sir Christopher Wren for the rebuilding of the entire City. This drawing, normally tucked away in Oxford, shows a little they are now seen in the histori-

suddenly apprised of private information.

The manicipal baths, for which he is responsible, are infected by filth from a mountain tannery. The tannery is owned by

An Enemy of the People

It is quite uncanny. The Young of Ibsen's Doctor Stockmann at school, but he stays to fight Vic revival of Ghosis tapped a betraying his public role when new-mood of apprehension over transmitted sexual disease in the 1980s, as opposed to the syphilis taboos of the which he is responsible, are who stands alone. At 1980s,

dwned by Stockmann's father in-law; his brother is the Mayor. The town's incipient prosperity as a sparis threatened, along with an abiding demantic sevenity.

abiding domestic serenity.

Stockmann blows the whistle.
The town has everything to

gain from the boat not being rocked and, at a public meeting, excitingly staged in the wrap-around Young Vic, Stockmann is branded a traiter. His windows are broken

n the crypt of St Paul's the com-plex story of the planning history: clearly Wren's rational and visionary cal context of schemes for the surround-plex story of the planning history: view of London, though baroque vision ings of Britain's finest classical cathe-of the whole area around the fell victim to commerce and the desire deal. There examine them in the Cathedral has been uncertised by Story republished by Story and Story republished by Story and Story republished by Story republished by Story Republished by Story Republished by Story Republished But to the surround-the deal of the planning history. and it pays to examine them in the light of history.

A gut reaction says that it should be right to build in the classical style here, of all places. But why not follow exactly the precedents provided by Wren and Hawksmoor? If St. Paul's stood in East Germany or in Italy, the most careful and diligent historical research would have been carried out before any plans were laid for the surroundings of a major historical monument. The most glorious thing that could happen for St. Paul's is for a gradual, intelligent and careful classical scheme to be allowed to evolve, based, more than Mr Simpson's is, on known precedents.

Another point this exhibition demon

strates is the great danger of the gigantic Beaux Arts plan. Even Lutyens and Sir Albert Richardson found it a verydifficult task although they both performed confidently. The present sur-roundings of the cathedral show the poverty and mediocrity of modern plan-ning and architecture; Holden and Hol-fird tried hard but falled, though the base plan of Holden's scheme was built and we have suffered from it for too

The stories of geniuses and their strug-gies in the world occupy many pages of architectural history. Frank Lloyd

his triumphs and problems in a major autobiography and a lifetime devoted to self promotion.

It takes a brave man to unravel the truth about Wright, but in Many. Masks: A Life Of Frank Lloyd Wright (Heinemann, £20) Brendan Gill does more than his best. Gill's many years on the New Yorker gave him the oppor-tunity to become a friend of Wright and Olgivanna, his last wife. He is probably right when he says that the lives of stunts." After all, they have to persuade their clients to part with enormous sums of money and then try to persuade them to build something they usually do not want. Wright was a mas-ter showman and his colouful, tragic and absurd personal life certainly kept his name in the news.

But he was a genius, from the earliest prairie houses to the Guggenheim Museum in New York. Brendan Gill makes this particular slice of 20th century architectural history an enthralling read. It is a worrying portrait of the vain and boastful man that many lesser architects have since imitated. It is also helpful to know that it is still possible to have a house designed by Wright: his foundation will pick a set of drawings for you from the archives and sell them to your builder. His influence thus con-tinues beyond the grave — which he

As in Ghosts and A Touch of

the Poet, this arena has the magical allure of a truncated

Manchester Royal Exchange.

Tom Wilkinson is a wonderful Stockmann, replacing initial meck vanity and deference with a blazing righteous pas-

sion. He confirms his status in the front rank of our light

heavyweight intellectual per-

formers. He is beautifully matched by David Henry's sib-ling, manipulative Mayor.

The family interests are

sharply etched by Connie Booth and, especially, Clive Swift as the rapacious old tan-

nery owner who believes dan-

gerous bacteria to be a form of evolutionary cockroach.

Michael Coveney



Clive Francis and Lindsay Duncan in Hedda Gabbler

# Hedda Gabler

Ibsen's Hedda is a protean figure. She can be one of Mario Praz's late romantic belles dames sans merci, a sphynx who must destroy or be destroyed; an aesthete manqué whom convention denies all outlet for her creativity but the biological one that disgusts her; a feminist (ah, those symbolic pistols!) before her time, as spiritually stifled as Nora in A Doll's House or Ellida from

the sea.

John Dove's new production for the new régime in Swiss Cottage makes history by mak-

ing absolutely nothing of her.

A blank, my lord.

Kenny Miller's set with its wide, curtained opening to the study is the chic front-room through-conversion of any gen-trified terrace, and the white and cream of this unusually light Tesman household hints at the colloquial textures of Trevor Nunn's version. This suburban reading makes sense of Hedda's horror of gossip if nothing else. ("People don't do things like that" is a recurrent lettmotiv.) No feeling of the impotent giant suffocated by pygmles, just a monotonously bright young woman, girlishly

shocked at schoolfriends who leave their husbands and primly disapproving of those jolly awful people who look at her legs. (The first dialogue with Judge Brack that should tingle with sexual tension conveys merely the irritation of a keen hockey-player at those who stoop to fouls.) Lindsay Duncan's Hedda at

times appears not to know how she fits in with others on stage, as if she had learnt the part in a vacuum. She is obviously not helped by the director's passion for drilling his cast in a straight line.

There is no hint of Hedda the aesthete (no emphasis on Lovborg's suicide being beauti-ful, and no irony, therefore, in the beauty of despised Aunt Rhas's death). The casual tone makes lines like "I suppose I can't have a butler" sound absurd: "You look as if you've been hit by lightning is brightly uncomprehending; and (to Clive Francis' slimy and notably frightening Brack) That sounded almost like a threat is beamingly chatty. This Hedda is characterised by breathy delivery and an open, toothy grin: too open - all is

on the surface; no layers of detachment or irony. No onion

In these prosaic tones, references to Lovborg's "crown of vineleaves" and "one of the most remarkable books ever written" irresistibly recall Hollywood artiness.

The production ignores all clues to Hedda's motives. She weeps in anguish as she burns Lovborg's manuscript although this is the fulfilment of her desire to wield power over someone's destiny. Is it Mr Dove's revolutionary thesis that Hedda is simply a trivial and silly little housewife?

Rhoda Lewis' unexaggerated Aunt Julie and Margery With-ers' sweet old Bertha start the play well; praise, too, for Jona-than Coy's scrupulously judged. Tesman and Dermot Crowley's restrained Lovborg. Mr Francis, tapping that vein of nastiness he repulsively opened in A Small Family Business, is a dashing young judge-about-town who has the sense, when Hedda is shooting at him stage left, to reply from off-stage

Martin Hoyle

### tions of Peter Wright in Spy. ter. His windows are broken ing behaviour alienates the catcher, we have the speciacle and his young sons beaten up. Press, the crowd and the La Belle Hélène



Rosemary Ashe: depressing waste of talent

At first sight, the opening of it, illogically, into stage image of the new production of boxes, or indeed what to do Offenbach's mornant satire on with the piece itself. No one is manners and morals at Sadler's Wells is agreeably, not to tion of the references to Second any appropriately, cheeky: the Empire society, but even the laries of the chorus are bend-ing over and standing with their backs to us. Oh. Calcutta indeed. But as the lights go up you see that under their wispy chitons they are wearing body stockings in a peculiarly vile shade of pink. The last time I saw the piece in Paris there

the strong must learn to be lonely and possibly vice versa. What is particularly inter-esting is how Stockmann's

stance at first altracts the ide-

alistic editor Hovstad (superbly played by Tom Man-nion) and then repels him.

Hovstad wants to snare his

readership, then slip them the truth. He wants a good story, but he wants good circulation

figures even more. Stockmann's uncompromis-

ing behaviour alienates the

were no stockings and a great eal of body. Which really says it all about this latest and most depressing English effort at Offenbach, and from then on it is downhill all the way. Ultr's permanent set has a certain definable style; the costumes, indescribably crude in colour and shape, have not. The choreography is shy-makingly awful: even the humblest vil-lage hall would hesitate before

putting this in front of a pay-ing public.

In his first opera production, Tim Luscombe seems to be at a loss to know what to do with a chosus, other than shove half

most myopic director might detect certain similarities with UK society today, and act upon them instead of settling for a down-market boomps-a-daisy

Establishment. Truth goes by

the board, as it may be said to have done in judgmental com-

ment upon all conscience-

stricken public appointees from Dr Stockmann through to

Sarah Tisdall, Clive Ponting

The Young Vic uses Arthur Miller's 1950 adaptation that points up the wriggling attitude of an interested local Press with delightful clarity and prefigures all sorts of current and prefigures all sorts of current and prefigures about electrons.

rent concerns about clashes

between ownership of the Press and free speech. And all

our feers about nuclear waste

and radiation leaks are item-

ised in the worries spread by the Mayor over the cost to the

taxpayer implied by re-jigging

and Peter Wright himself.

Most depressing of all is the waste of talent. Rosemary Ashe is a really sharp performer who knows what a stage is for understands tim-ing, and can put a line across — she alone makes something of the excellent Geoffrey Dunn translation. Yet under this director she is reduced to playing the title role as a grumpy saloon-bar harpy. Such expert performers as Peter Jeffes, who can really sing Paris, and Bernard Dickerson (Menelaus) are left floundering. The remaining roles are under-cast: Offenbach wrote for, and got, the best.

Nor is there any help from the pit. The general idea of-conductors is that they should first keep orchestra and stage

together and secondly instil in the performers a coherent sense of the work's style. Neither requirement was even vaguely met by Simon Phipps: ensemble was unacceptably Offenbachian wit came across. New Sadler's Wells Opera has so far got by on typically English nostalgia for the thes-

fre itself and good old Lilian Baylis, and on typically English sympathy for a nonfunded underdog. But if this sort of amateurish shambles is the price to be paid for nostalgia and sympathy, better to pull the plug altogether. (Item: if NSWO is the company it says it is, why was there no cover for Calchas? Requiring the indisposed Stuart Harling to croak his way through the dialogue and mime his musical numbers while a baritone standing amongst the chorus sang them from a score seemed symptomatic of the whole hit or miss approach.) In the con-text of what else is happening in opera here today, this simply won't do.

Rodney Milnes

### Fischer-Dieskau

ELIZABETH HALL

Finally to Richard Stranss: the third and last of Fischer-Dieskau's recitals this season was devoted to a selection of mostly late songs.

Strauss is known by only a small part of his extensive song output (the lyrical early pieces) and it is typical of the German baritone that he should have found such a flowering of inspiration in what is generally regarded as barren land.

In the last couple of years his Elizabeth Hall recitals have become essential musical events. Fischer-Dieskau has, of course, recorded all the songs in his programmes at least once before, if not more often. But that is no reason to stay at home, for the music-making that the singer is offering us in

his 60s has become still more daring and visionary, as a comparison of his Strauss Lieder on record and the performances that he gave on Saturday would show.

The programme ranged widely. Songs like the excerpts from the Op 66 Krdmerspiegel. with their brilliantly incisive verbal definition, have always been a Fischer-Dieskan special-

Others, like im Spätboot or Ruhe, meine Seele, seem now to have opened the door on to a new world of ambivalent and conflicting emotions, where before a single mood had been thought sufficient. In every case the singing stirred the imagination afresh,

but in none more than the

binding introduction - the accompanist Hartmut Höll is no less creative an interpreter than his singer — Fischer-Dies-kau spun this song on a mere thread of tone, expanding and contracting the vocal line with a freedom of rubato that one would have though an impossi-bility, had it not worked so magically: a once-in-a-lifetime performance.

Not all the songs came together like that, not all fused their elements with that degree of success; but the spontaneity and risk-taking in Fischer-Dies kan's singing these days mean that when the songs do work, they aspire to ever greater heights. Another trio of recitals next season is a must.

Richard Fairman encore "Morgen". After a spell-

### ARTS GUIDE

(SS 8391).
BBC Welsh Symphony Orchestra conducted by James Loughran, with Peter Donohus (plano) and Martin Roscoe (plano). Weber, Mozart, Beethoven: Royal Festival Hall (Mon) (928 8191; cc 928

by Philippe Entremont. Mozart, Beethoven. Theatre des Champs Elysess (Mon) (4720387) Quatnor Takacs, Zoltan Koros-may (alto). Haydin, Mozart, BrahmsSalle Gaveau (Tue)

(Wed) (45626971)
Orchestra Paris Antiqua Musica conducted by Jacques Roussel, Teresa Zylis-gara, (soprano):
Soirée Bach (Tue) Saint-Jacques du Haut Pas, 252 Rue Saint-Jacques du Haut Pas, 252 Rue Saint-Jacques du Haut Pas, 252 Rue Saint-Jacques du Haut Paris conducted by Erich Bergal, Bruno Leonardo Gelber (piano). Vaughan Williams, Mozart, Schubert Salle Pleyel (Tue) (45638873) Wed) (45626971)

(45666676) Orchestre de Paris conducted

Hitton Hotel

Orchestre de Paris conducted by Daniel Barenboim. Debussy. Philharmonie im Castala (1981). lharmonie im Gasteig (Thur),

Metheriands Philharmonic conducted by Roberto Benzi, with Hean-Jacques Kantorov (violin). Rossini, Paganini, Debussy, Ravel. Concertgebouw (Tue). Bartok Quartet, Haydn, Shostakovich, Schumann. Concertgebouw (Thur) (718 345).

Asko Ensemble conducted by

David Porcelijn, with the Nether-lands Saxophone Quartet. Ver-bey, Vriend, Torstensson (Wed). The National Youth Orchestra and the Netherlands Concert Choir conducted by Adam Gate-house, with Alasdair Elliott (tenor). Berticz. Vredenburg (Thur) (31 45 44).

Conservatorio G. Verdi. Eco and Narciso. Riccardo Muti conducts the La Scala Symphony Orches-tra. Mozart, Sciarrino, Brahms.

Alban Berg Quartett with Hein-rich Schiff (cello). Berg, Schub-ert. Konzerthaus (Mon, Tues). Milka Mori (piano). Mozart, Beethoven, Sch

Thurs). Ensemble Wien. Haydn, Schub-ert, Cerha, Mozart. Musikverein

New York

Prague Symphony conducted by Jirl Belchlavek, with Steven Mayer plano. Smetana, Dvorak Carnegle Hall (Wed) (247 780). Smitney Padlo Symphony con Carnegie Hall (Wed) (247 7800).
Stuttgart Radio Symphony conducted by Sir Neville Marriner
with Frank Peter Zimmermann
(violin). Wagner, Glatmov,
Tchafkovsky. Carnegie Hall
(Thur) (247 7800).
New York Philharmonic conducted by Anthermonic conducted by Anthermonic conducted by Anthermonic confunction.

takovich, Bernstein (Tue); with Mitsuko Uchida (piano). Bee-thoven (Thur). Strauss Avery Fisher Hall, Lincoln Center (799

son (world premiere) (Tue); Diana McIntosh (plant and per-formance artist), McIntosh pro-gramme, Merkin Hall (Thur) (362

### October 14-20

Chamber Music at the Y. Jaime Laredo, artistic director. Bee-thoven, Rorem, Dvorak. Kauf-mann Hall, 1885 Lexington (Tue,

Washington Music Washington. National Symphony conducted by Cunther Herbig. Haydn, Schönberg (Tue); Concert Hall, Kennedy Center

Music Chicago Chicago Sym-phony Orchestra conducted by Sir Georg Soliti, with Walfrid Kujala (Rute), Schubert, Schuller, Beethoven (Tue); conducted by Daniel Barenbolm. Ran and Berlioz. Orchestra Hall

Tokyo Camerata Academica des Mo

Camerata Academica des Moun-teums, Salzburg, Mozart, Suntory Hall (Mon) (505 1010)
Classical Japanese und Chinese Music. Missic for koto and its Chinese equivalents. Selbu Seed Hall (Tues) (462 0111)
London Philharmunic Orchestra. Wagner, conducted by Klaus Tennstedt (Tues). Tchaikovsky, conducted by Leonard Slatkin (Thurs). Suntory Hall (289 9999) NHK Symphony Orchestra con-ducted by Herbert Blomstedt, with Garrick Ohlsson (miano). with Garrick Ohlsson (piano). Bach, Bartok, Sibelius. NHK Hail, Shibuya (Wed, Thurs) (465

Tokyo Symphony Orchestra con-ducted by Peter McCoppin, with Marc Laforet (piano). Dvorak, Bunka Kaikan (Thurs) (465 6115).

### **SALEROOM**

### For the wings of a Dove

vehicles at its Billingshurst saleroom and ceramics by 20th auction record of £62,000 in century artists in London. The 1985 for an Austrian Secession aircraft are being sold off by the Torbay Aircraft Museum and include a De Havilland

some of the great names of 20th century art, the likes of Picasso, Dufy, Derain and Leger. Seven unique works by Picasso have been sent for sale by his grand daughter Marina and include "Tete de femme", 2 hand painted pitcher, 57.5 cm. high, which could sell for £50,000, and a vase, hand painted as an owl, with a £45,000 estimate. There are several Pieces additions including eral Picasso editions including portraits of Jacqueline on plates from the 1950s. One, from an edition of 100, is estimated at up to £4,500. There are two works by Leger. The trial version, measuring 110 cm by 96 cm of the mosaic he igned for the American War Memorial at Bastogne (top estimate £80,000), and probably the by Bridget Riley, at around only porcelain dinner service \$5,000 and \$2,500. he ever produced, with each of the 72 pieces carrying a different hand painted design (up to £30,000).

Sotheby's branches out into On Thursday Christie's new sectors on Wednesday, South Kensington is holding offering aircraft and military its annual poster sale. It is keen on them since it set the poster of 1902 by Koloman Moser, but prices start as low as £50. The exhibition of Tou-Dove, for around \$3,000, as well as a Vampire, a Hawker Sea Hawker and some Westland belicopters. None are capable of flying.

The ceramics were made by some of the great names of centrated on some of the railway posters of the inter-war period. "The Night Scotsman", a 1932 lithograph in pristine condition, by Alexander Alexeiff, showing a black monster roaring into the daylight, is estimated at up to £8,000 while a LNER poster by Alfred Thomson could make £2,000.

The current acclaim for modern British art will be tested on Thursday when Sotheby's offers a 1972 work, "Falling", by Gilbert & George, showing the two oddballs in ten photographs, (estimate up to £40,000); a Frank Auerbach portrait (up to £20,000); and an early Patrick Heron abstract "Lux Eterna" (222,000). There

**Antony Thorncroft** 

London

Beethoven Phys. Royal Festival Hall, Queen Elizabeth Hall, Purcell Room. (928 3191). Polish National Radio Symphony Possell Personal Radio Sympholy Orchestra conducted by Antoni Wit, with Kun Woo Paik (piano). Prokofiev, Chopin, Szymanowski, Sibelius, Barbican Hall (Mon)

8800). City of London Carl Flesch Inter-national Violin Competition. Final stages take place on Tues-day and Wednesday with the monia Orchestra conducted by Louis Frémaux. The Wednesday concert is followed by the prize-giving ceremony. Barbican Hall (638 8891).

... in Amsterdam at the

Hotel, Ascot Hotel, Grand Hotel Krasnapolksy

American Hotel, Hotel Apollo, Garden Hotel, Hilton Hotel, Sonesta Hotel, Victoria Hotel,

Doelen Crest Hotel, Schiphol Hilton

Keith Jarrett Recital. Salle Ple-

Royal Philharmonic Orchestra conducted by Vladimir Ashken-ary, with Yo Yo Ms (cello); Shos-takovich, Royal Festival Hall (Wed) (928 3191; oc 928 8900). City of London Sinfonia con-ducted by Richard Hickox, with duction by manhony Chorus and soloists. Beethoven's Chorus Symphony. Royal Festival Hall (Thur) (928 3191; cc 228 3800).

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(Thur) (928 3191; cc 928 8810). London Symptomy Orchestra conducted by Lawrence Foster, with Africa Brendel (piano). Bes-thoven. Barbican Hall (Thur)

Meth Janett Retails and Associated Vol (Mon) (45638673)
Fiorence Delange (pismo). Morart, Chopin, Wagner, Liszt, Salle Gavean (Mon) (45626971)
Orthosire Colonne conducted

(45626871) Roman Megili (piano). Schubert, Schumann, Liszt Salls-Gaveau

termesure de Paras commetted by Emmanuel Krivine, Jean-Francois Heisser (plano). Mozz Brahms, Franck. Salle Playel (Wed, Thur) (45638873)

Travelling on Business in the Netherlands? Enjoy reading your complimentary copy of the Financial Times when you're staying.... . . . in Rotterdam at the

Cologne Barockorchester conducted by Peter Neumann, with the Kartauserkantorel and solo-ists Peter Lika, David Cordier, John Elwes, Franz-Josef Selig. and Nancy Argenta. Handel's cratorio Saul. Teatro Olimpico. (Wed) (36)1792 or 3962635). Cecilia Gasdia. Salvatore Accardo (violin), Bruno Canino (piano). Beethoven, Webern, Janacek, Ravel. Auditorio di s. Leonemagno, istituzione Universita die Concerti (Mon) (3610051). (Tues). Whener Symphoniker, conducted by George Pretre. Zemlinsky, Bruckner. Konzerthaus (Wed,

ducted by Amirew Davis, with Dmitry Sitkovetsky (violin), Stanley Drucker (clarinet). Shos-

conducting, Daniel Fradkin (viola d'amore). Messiaen, R ard Wernick, Oskar Gottlieb Blarr, Aaron Kernis, John Gib-

Juillard String Quartet. Haydn, Carter, Beethoven. Juilliard Theatre, Lincoln Center (Tues)

### FINANCIAL TIMES | Andrew Gowers and Andrew Whitley on Israel's lacklustre election campaign

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**MONDAY OCTOBER 17 1988** 

THE US AND THE WORLD ECONOMY

# Challenges...

ONE OF THE superpowers has economic problems that imperil its global role. Particularly worrying is the low underlying rate of growth of productivity. So far this weakness has been offset by increas-ing the use of labour in the economy, but labour has now grown increasingly scarce. As the economy's weakness has become more visible, the country's principal allies have come to doubt the sustainability of its worldwide commitments.

The capacity of the superpower to meet these challenges was long impaired by a stubborn refusal to admit their existence. Under the leadership of a once-vigorous - but sub-sequently enfeebled - old man, the symptoms of difficulty were swept under the carpet or even hailed as signs of success.

The superpower in question is, of course, the US. Its prob-lems may well be small when compared to those of its rival, but so, it appears, is the likelihood that a President will be elected with the capacity or. indeed, the mandate to tackle

### Long term problem

The longer term economic problem is this: between 1962 and 1987 real final demand in the US grew at a compound rate of 4% per cent, as the economy recovered from recession and went deeply into external debt. By contrast, according to an analysis by Robert Lawrence of the Brookings Institution, the sum of real personal consumption and government expenditure will have to grow at less than I ner cent a year (zero per head), if the US is to eliminate its current account deficit by the mid-1990s.

Elimination of the external deficit remains vital. So long as it exists the US will tend to blame foreigners for the consequences of its own choices, Ultimately, the international trading system could be destroyed. Moreover, elimination of the US external deficit is a necessary condition for resolution of the problem of developing country indebtedness. The surplus savings of countries like Japan and West Gefmany should be channelled to the poorer countries of the as long as the US hogs global financial resources.

well as a right way. The right way would be through a higher national savings rate. The resulting lower real rates of interest would give welcome relief to the Federal Government, the financial regulators financial institutions now hold ing on by their finger nails and the indebted countries. The wrong way would be throug the crowding out of US inves ment, by way of higher intererates. For the US, in particulathis path would be fraug with peril, since the inver ment rate is already lowe than in any other major OBC country. Indeed, the absolut dollar value of Japanese capi tal accumulation now exceeds that of the Americans. The US will be unable to maintain its global position if this trend

### Greatest danger

Unfortunately, the crowding out of US domestic investment (or the alternative of continued external deficits) is the path of least resistance, if of greatest danger. It is the path of greatest danger because such curtailment of investment would be associated with persistent inflationary danger, dollar cri-ses and financial instability. Presuming the Federal Reserve remains concerned about infla-tion, its likely response to sig-nificant dollar weakness will always be higher interest rates. (Even if it were not concerned about inflation, the country's creditors would soon force it to

It is true that the decline of the dollar since 1985 has made American profligacy much easier to finance. Japan, for example, has almost the same current account surplus in dollars as two years ago, but as a share of its own GNP, the sur-plus is a third less. So the primrose path of low investment and continued debt accumulation might allow US preeminence to go out with a

whimper rather than a bang. One must pray that this is not what the US chooses. In economic policy, the main challenge to the next President of the US is to persuade his countrymen that stagnation in real consumption per head is now necessary - for fear of something worse. If he fails, he visible decline in the US position in the world. Worse, he None the less, there is a may, like President Hoover, wrong way of bringing about the US external adjustment as a rendezvous with disaster.

# ...and responses

THE ECONOMIC consequences of President Reagan are writ large in the Presidential elec-tion campaign. The first legacy is the high level of indebtedness, both internal and exter-nal, in the US economy; the second legacy is the belief that one cannot get elected by tell-ing the American people bad news; and the third legacy is the fairy tales that have to be told to make the second legacy consistent with the first.

The budget deficit, however banal the topic may seem by now, remains the fundamental issue. A spontaneous recovery of net household savings from its nadir of 3.9 per cent of dis-posable income in 1987 might make closure of the fiscal deficit unnecessary (by making the deficit far easier to finance): but this is unlikely. In fact, a country like the US should be running a substantial budget surplus at this stage of the economic cycle, not merely a smaller deficit.

### Credible solution

Both candidates accept the logic of smaller deficits, but neither offers a credible solu-tion. Remember the basics: 28 per cent of the budget goes for defence: 47 per cent goes for mandatory programmes, mainly entitlements (social security and medicare); and 14 per cent is for interest. To balance the budget without cur-tailing these politically sensitive programmes would require the complete elimination of virtually everything else.

Mr Bush suggests a "flexible freeze", under which the bud-get deficit would be eliminated by 1993 by holding domestic spending constant in real terms. Meanwhile, Mr Dukakis suggests that a combination of spending cuts, economic growth and lower interest rates will do the trick. Instead, of tax increases (referred to as "a last resort") he suggests

improved tax collection.
Two facts must be remembered when considering these programmes: first, there is ilready strong pressure for increased federal spending; secondly, from its present cyclical peak the average annual growth of the economy over the next four years is unlikely to exceed 21/2 per cent.

The conclusion of any plausi-ble analysis is simple: taxes must increase. Mr Bush (and Mr Reagan) do, it is true, argue that increased taxes will merely increase spending, not reduce deficits. The reply should be that if the budgetary process is really that bad, reform it.

So long as the external counterpart of the budget deficit remains, there is a temptation to mindless xenophobia. It is particularly depressing when two men as well aware of the absurdity of what they are say-ing as Mr Dukakis and Mr Bentsen feel obliged to beat the protectionist drum.

### Reagan legacies

Meanwhile, the Reagan administration has forgotten that insurance of financial institutions without regulation is a license for theft. The crisis in the savings and loan institu-tions is not an accident; it was an accident waiting to happen.
Along with regulatory reform,
public money will be needed to
clean up the mess. The same is
true of Third World debt. As
with the S&Ls, the hostility of
Congress to balling out bankers combines with that of the
administration to more expenadministration to more expenditure and so blocks progress.
Yet, as Mr Volcker admitted over the weekend, the Bakar plan is sputtering. In the end, the banks will have to take losses. Neither side wishes to admit that public money will be needed, but it will.

Burdened by the legacies of the Reagan years, both candi-dates are reduced to incoher-ence and evasion. In conse-quence, the outside observer, when asked to judge between the economic programmes on offer, is tempted to reply in the vein of Dr Samuel Johnson:
"Sir, there is no point in settling the point of precedency
between a louse and a flea."

The tragedy is that neither candidate feels able to gain power while telling the truth on key issues. President Reagan discovered that the land-slide he obtained in 1984 gave him no mandate, because he sought none. The successful candidate of 1988, too, is likely to discover that the price of winning power after this cam-paign will be inability to do anything useful with it.

# o all appearances, Israel is sleep-walking its way towards its 12th general election, due on November 1. For months, politicians have been sug-

gesting that the election will be the most important in the 40 years since Israel's foundation. The public is constantly being told that the 10-monthold Palestinian uprising in the Israelioccupied West Bank and Gaza Strip presents it with fateful choices con-cerning the future of the Middle East peace process, and the physical shape and demographic composition of the

So far, the overwhelming response

has been one of weary cynicism. To be sure, the violence in the territories has confronted Israelis with the Palestinian issue in a starker way than at any time in the 21 years since the occupation began. It has polarised public opinion as never before. However, there remains a wide-spread feeling that voters - split down the middle over the territories

- are not being presented with a real choice of policies, and are unlikely to deliver a clear verdict. The polis are pointing to a very narrow margin between left and right, although some 10 per cent of likely voters remain undecided By Israel's rumbustious standards,

the campaign is proving extremely low-key. There is only a faint echo of the alarm generated during the last election in 1984 by Israel's humilia-tion in Lebanon and by its then acute economic crisis. The positions of the two main parties and coalition part-ners – the Likud led by Prime Minister Mr Yitzhak Shamir, and the Labour Alignment under Foreign Minister Shimon Peres – seem stale and repetitions.

"This is the most boring election in Israel's history," says Prof Israel Sha-hak, a seasoned civil rights campaigner. In a country where interest and involvement in politics are traditionally among the highest in the world - with typical voter turnouts of more than 75 per cent - the cur-

rent climate of paralysis and polarisa-tion is a cause for serious concern. The ironically-named National Unity Government has been incapable of agreeing on any important initiatives for the last two years. Frustration with the coalition partners has boosted support for a proliferation of more extreme parties prescribing remedies - principally the mass expul-sion of Arabs from the occupied territories - which were taboo in Israel as

recently as 10 years ago.

Given the deepening divisions in society and the hopelessly fragmented character of Israel's electoral system, no one can see an easy way out of the deadlock. Indeed, coalition building has become more difficult. Since 1977, when the ascent to power of Mr Menachem Begin's Likud ended Labour's domination, the country has had to contend with a two-party system in which each of the broad groupings of left and right commands support from about half the electorate.

This time, 27 parties are vying for a total of just 2.3m votes under the country's extreme version of proportional representation, which allows a party into the 120-member Knesset with just 1 per cent of the national poil. But the main shifts are taking place within each camp rather than between them, and voting for the two big parties remains split to a surpris-ing extent along ethnic lines – that is, between Jews of Middle Eastern and European origin. At the 1984 elec-

and European origin. At the 1984 elections, some two thirds of Israel's Oriental Jews (or Sephardim) voted Likud, and a similar proportion of European-origin Jews (Ashkenazim) voted Labour.

The only potential swing factor of significance may be the Jewish religious parties. Always an important element in Israeli coalitions, the religious lobby switched its support from



# The verdict on a loveless embrace

Labour to the right in the 1970s. But it is now fragmented, and some Ortho-dox Knesset members are expected to shift their allegiance back to Labour after November 1.

amer November 1.

If the campaign is widely acknowledged to be lacklustre, the most obvious explanation lies in the coalition which has locked the two biggest parties in a convenient but loveless mbrace for the past four years. In the first two of these, the

National Unity Government under Mr Peres did a lot to repair the wreckage left behind by its Likud predecessor. It largely extricated israel from the Lebanon quagmire, and brought the country's Latin American-style economic difficulties under firm control. But the electorate's gratitude for this stable interlude has been tempered by unease at the stagnation of the last

Faced with the Palestinian turrest and with renewed efforts by the Rea-gan administration to foster Arabisraeli peace talks, the Government has been rooted to the spet, agreeing only to keep itself in power. Not one of the ruling triumvirate — the "club of Prime Ministers" comprising Mr Peres, Mr Shamir and Mr Yitzhak Rabin, the Labour Defence Minister and lynchpin of the coalition - has ever won an election, and all three are perceived as lacking the stature of

Israel's earlier leaders Both Labour and Likud are thus anxious to claim credit for the coalition's achievements, but dare not go too far in blaming each other for its failures. It inevitably makes for dull

main parties' practical policies.

The question of dealing with the

Palestinian aprising or intifacts pres-ents both Likad and Labour with par-ticular credibility problems. The bewildering array of tactics deployed by Mr Rahm since last December has killed more than 300 Palestinians but has manifestly failed to quell the unrest. Liked may complain that he has not been tough enough, but the fact remains that his are the policies of a Likod-led Government.

Concerning the wider concinsions to be drawn from the intifodo, voters

'Given the hopelessly fragmented character of the electoral system, no one can see an easy way out of the deadlock?

are also finding it hard to discern clear choice. Mr Peres says that if he obtains enough votes to form a government, he will press ahead with efforts to set up an international Middle East peace conference. But since Jordan's King Hussein moved to dis-sociate himself from the West Bank last July, Labour has been bereft of an acceptable negotiating partner.

Mr Peres has been making faintly conciliatory noises in the direction of the Palestine Liberation Organisation of late, but Labour officials admit that any stronger hint of willingness to talk to what most Israelis still describe as a terrorist movement campaigning and blurs voters' perceptions of the difference between the Likud. For his part, Mr Shamir behind the damage limitation efforts main parties' practical policies.

The question of dealing with the

accords with Egypt. Although a veha-ment opponent of the agreements when Mr Begin signed them 16 years ago, the Prime Minister now says he would be delighted to reopen negotiations on Palestinian autonomy with any Arabs who will come to the table. It all seems a little removed frontingly lity. Both parties are completionally silent as to how they would respond to any dramatic peace move by the PLO at its forthcoming Palestine National Council meeting

The economy is another potentially sensitive area in which serious prelicions are looming despite the roellition's early achievements in dramatically reducing inflation, stabilisting the shellel and lifting exports. Economic artivity—as dependent as ever on US aid running at 15th a year—has been showing down since the last quarter of 1987, and the latest figures, suggest that growth has now come to a complete hait, parity as a result of the violence in the territories.

The chronic troubles of the busi-

The chronic troubles of the business empire owneds by the distantuit trade union movement and its associagain in the spotlight - much to the embarrassment of the Labour party. A court move by Bankers Trust to seek the liquidation of Koor Indus-tries, the Histadrut affiliate which is Israel's largest industrial employer, has sent a shudder through the entire socialist economy which played a key role in Israel's development and still accounts for an estimated 25 per cent of its economic activity. Yet here, too, Liked will want to make mortages unleage out of Labour's continuing over Rose, but it can hardy claim to have energetically pursued reform during its seven years of hadership to 1984. Mr Nissian and Mr Shanir may dress themselves up as champless of free enterprise, but there is no sign that either narry has now these and party has now these or the contractions. that either party has new bless how to generate growth or imples thoroughgoing structural resorm.

All this is not to say, however, that the overall electoral picture is state. On the contrary, the broad rightward shift stemming from the Palestinian uprising has accelerated at existing uprising has accelerated at exists process of change in Store's politic make-up, and will have an importance bearing on the prolatiged baggin between parties after the slection. The swing to the right is particular marked smoog first time voters, may of whom will have been expensively violence during army anvice.

This has in turn tained searching questions about the rait of hole the main parties, and whether it is any longer possible to talk of it could ground in largest politics. Laking used to be the centre party. Its sealong as the occupation continues, there is no centre in the political spettrum, "says Prof Exhat Calpor, a political scientist at Jarusalem's Believe University.

First, with the strangillating of ties to its right, the Likud now s much more a part of the Israel stream than it once was, in w stream than it once was, in pur-less, many of its politicians.

If his Shandr—have shell dis-the ideological beggave with a they med to be associated. When talk of the vital need to hang of the occupied territories. They do terms of hazed's security rather, of Hiblical rights at was his he

More extracte right wing parties have been swift to espitalise on the change of tone, accusing Likad of treachery. On Movember I, although the openly racist Rach party has been disqualified by an electoral commis-sion, the remaining three ultra-ma-tionalist parties are likely to be remaided with an factorated Knoopi passence, which will be crucial to Likel's elliets to form a coefficient.

flecond, the polarisation of the larged policy had left Labour abitity at another antiqued of dramatic policy had left Labour abitity at another had been and phosps of the contiquence with the heads even Labour to flere criticism from the right. On the other, the hard-line policies purehed in the West Bank and Gazz by hir Rabin have alterated many traditional left-sing Labour sometime, especially hasel facels who account for around 12 feer cost of the electronic and will july a algoriticant role in the furtherming election.

Prof. Yoghanan Pores, a political ac-cies at Tel Aviv aniversity, reckons chilst if Fei Aviv aniversity, rectors that Listonic shape of the Arch whe will drop by though two thirds on November I. So even if Labour emerges as the largest single party in three weeks time, its efforts to form a coalition will depend as never before on a number of Knesset members on a property advocating the establishment of a Palestinian state. This would be even more unconstruble for Labour than an alliance with the extreme right would be for Likad.

in the circumstances, although an outright victory by the right is possible, it is also entirely concavable that the two main parties will be found reluctantly into another National Unity Government. This may seem like a recipe for four more years of drift; and indecision, but the alternative — total deallock over the formation of any coalition — strikes many localities were. Istaelle de Morse.

### New entente with Spain

 Queen Elizabeth II goes to
 Madrid today to begin her longest visit to a European country, the first by a reigning British monarch to Spain and one which should set the seal not that one is really necessary on Britain and Spain's new-found mutual admiration.

She follows close on Margaret Thatcher, whose trip to Spain last month was also a first for a British prime minister. Two years ago King Juan Carlos visited London. British and Spanish royal links go back a long way — at least to 1170 when Henry II married off his daughter, Eleanor, to Alfonso VIII of Castille. There have been five

other inter-marriages since, though Britain's assumption of sovereignty over Gibraltar in 1713 made open friendships difficult for centuries. Still, Juan Carlos' smooth accession to the Spanish throne after General Franco died, his handling of the attempted military coup in 1981, and his unbending good

nature appear to have endeared him to his consin Elizabeth: their great-great-grandmother was Queen Victoria. The word from Madrid is that she calls him "Juanito", he calls her "Lillibet" and they often talk (in English) on the

telephone.
The Spanish King will accompany Queen Elizabeth throughout her three days in Madrid, then on Thursday in Seville and on Friday in Barce-lona. From there both couples will go on a short cruise to the Balearics on the Royal Yacht Britannia.

The only hitch in their plans so far has been the cancellation of an equestrian display in Seville because of an out-break of African equine fever that could lead to up to 40,000 horses being slaughtered in Andalucia. Britannia will be in Barce-

lona for the entire week in

**OBSERVER** 

preparation for a reception on board on Friday. But she is not going to lie idle. This morning there will be a seminar on board on "Opportunities for Spain and the United Kingdom in 1992". Robin Leigh-Pemberton, the Governor of the Bank of England will be there along with his Spanish opposite number, Mariano Rubio. John Quinton, chairman of Barclays, will not be at his desk in London for the same reason; nor will Nicholas Baring, deputy chairman of Barings, and Michael Richard-son of Rothschilds. The stars of the show, how-

ever, promise to be Spain's two most flamboyant bankers: the young Mario Conde, who is known for his dark good looks and is also chairman of Banco Espanol de Credito (Banesto), and Miguel Boyer, former Finance Minister, now head of the Banco Exterior and a member of the EC's com-mittee on the next steps towards European monetary union. Boyer is currently best known in Madrid gossip col-umns for the dark good looks of his Filipina wife.

### Liberal ways

Anyone who has been following the US election campaign must have noticed that the word "liberal" has become a term of abuse. This is happening even in Britain: see last week's Tory Party conference, for example. Indeed sometimes the Financial Times is dismissed in government circles nowadays as the last bastion of the liberal establishement. Yet the word, which has many meanings, has a capacity for survival and the tendency to use it in an abusing

to use it in an abusive sense is not new. In the old days it was at least as likely to mean "licentious" as "generous".



"Look — maybe it's not too late. Give Jesse a call."

That was very much the case with some of Shakespeare's wenches. The term also meant "outspoken" or even almost "seditious" in the Elizabethan

The better sense co-existed, as in the "liberal" arts and sci-ences and also in conferring social superiority. Lord Chesterfield wrote much later: "If you have not liberal and

In the political context it took off in the early 19th cen-tury and was definitely meant to hurt. It was applied to the more advanced sections of the Whigs and frequently used in its French or Spanish form to make them sound un-Kn-glish and even more radical or ultra than they were. The Whigs, however, knew the other meanings and welcomed the insult as a compliment: Hence, very broadly, the birth of the Liberal Party under that name. The other main party

became the Conservatives.

John Stuart Mill wrote in 1865: "A Liberal is one who looks forward for his principles

of government; a Tory looks backward." That still stands today, and British liberals today, and British liberals should not give way to intimidation even if the Americans (of all people) seem to have capitolated.

### Toll story This is literally the last word

in bridging finance: the New South Wales Government has paid off the final instalment on the Sydney Harbour Bridge, Australia's best-known symbol 56 years after it opened. in a low-key ceremony, Nick Greiner, the state premier, used the gold-plated scissors which cut the opening ribbon in 1932 to snip a pink ribbon arund a chemic for around a cheque for A\$8,296,205. The payment went to the Federal Government,

and brought the total in principal and interest to around
A\$70m, far in excess of the original cost of 29.58m.
Sydneysiders, however, can forget the notion that they have at last jettisoned the burden of paying for the conve-nience of a harbour crossing. Last year the bridge toll was raised from 20 cents to one Australian dollar (about 46p). Austratian tentar (anon sop) to help pay for a tunnel which is now being built almost directly under the bridge.

The tunnel has been a

source of considerable public anger, although cynics say that the environment movement in Australia is now so strong that a government would not even be able to build a bridge these days. The tunnel is due to open in 1992.

Don't panic ■ Back to the hotel fire warning stories. A reader spotted the following in his room in Baghdad: "What A To Do in case of fire."

# QUIETIES?

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FINANCIAL PLANNING & INVESTMENT MANAGEMENT

David Lascelles reports on a change in management style at Rothschilds' merchant bank in London

# New blood for rich' Rothschild vein

s one of the City's few remaining privately owned merchant banks, N.M. Rothschild & Sons prefers to

keep its affairs to itself.

But it was hard to miss the fuss earlier this year when Mr Evelyn de Rothschild, the fifth generation chair-Rothschild, the fifth generation chairman and chief executive of the 184-year-old house, decided that he needed a number two — and appointed an outsider. The sounds of dismay which greeted the announcement soon reverberated beyond Rothschilds', headquarters in St Swithin's Lane, and not long afterwards one of the bank's disappointed senior executives. Mr John London. senior executives, Mr John London, left to pursue his career elsewhere.

The man chosen by Mr de Rothschild was Mr Fred Vinton, an American banker with 25 years experience at Morgan Guaranty, much of it in its London branch. The fact that Mr de Rothschild went outside the bank for his chief operating officer was stri-king enough. But of potentially greater agnificance was the decision to make the appointment at all. It signalled the arrival of Management with a capital M at Rothschilds.

with a capital M at Rothschilds.

"As our business grows and becomes more complex, there is a greater need to look after the day-to-day management," says Mr de Rothschild, who also wants more free time to deal with his many outside interests, which include the chair-manship of The Recognist, United Racecourses and St Mary's Medical School in Paddington.

In the two years since Rig Bang, the emergence of large new investment

emergence of large new investment banks has posed an obvious threat to the private houses. To those who know Rothschilds well, the move was the clearest sign yet that it was get-ting to grips with change. Tradition-ally a place driven by personalities rather than systems, Rothschilds had never in the past gone in for much formalised management, "It was preity seat-of-the pants stuff," recalls one former director. "We'd agree something was a good idea and go off and do it."

This approach had much to do with the style of Mr de Rothschild himself. An imperious and somewhat unpre-dictable man, now 57 years old, he is well known for his distile of debate and analysis. Traditionally, at Rethe-childs, "you asked yourself Would Evelyn want this? and if the answer was no you didn't do it," said one

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person familiar with the decision-influence of traditional house making process.

Mr Vinton's arrival at Ro

Mr de Rothschild has a strong wareness of his dynastic position—both of the responsibility that it places on his shoulders, and of the fact that he did not achieve his present status solely on merit. This helps explain why he is now trying to run the bank on more modern lines and appare it is in one modern lines and appare it is in more delens for fature. ensure it is in good shape for future generations. The more humdrum considerations of City life, like cost containment and administration, have moved up on his agenda too. "Merchant banks have accumulated the greatest concentration of gifted, creative hard-working people. At the same time, they have to have more back-up administration," he says. Since emerging from a bitter rift

Evelvn de Rothschild is trying to run the bank on more modern lines to ensure it is in good shape for future generations

with his cousin Jacob in the 1970s, Mr de Rothschild has turned Rothschilds into a successful and profitable bank (though exactly how much so is a closely guarded secret). At the time of the Rig Bang, he decided to take only a small step into the securities business by buying a one third stake in Smith New Court, the largest publicly quoted equity market-maker.

This cautious approach implied an acceptance that Rothschilds no longer held a dominant position in the City, but needed to specialise to survive. Mr de Rothschild was particularly determined not to be down into the determined not to be drawn into the big capital game, because that would force him to go to the public markets for funds and yield up control.

"I was brought up as a generalist, but many of as are becoming special-ists now," he says. As chairman of the newly formed British Merchant Bankers Association, Mr de Rothschild has also had to grapple with the wider issues of change. The BMBA replaces the old Accepting Houses Committee, one of the City's élite clubs. Instead of 17 members, all British, it will have nearly 100 from all over the world, a further indication of the shrinking

Mr Vinton's arrival at Rothschilds has many ramifications. Despite the appointments it caused, few deny that it was a good choice. Mr Vinton is, according to one former Rothschilds director, "the closest thing America will ever produce to a gent," (he enjoys horses and hunting) so he is culturally well-attuned to the merchant banking world. And at the same time he hydroge a fairly bend need III. time, he brings a fairly hard-nosed US

nanagement approach to the place. Many employees also see Mr Vinton creating a useful buffer between themselves and Mr de Rothschild. He had talked about strategy with Mr de

nan tanked about strategy with Mr de Rothschild for a whole year before accepting the appointment, and is expected to produce fresh ideas. But on the downside, much of the potential goodwill in Mr Vinton's arrival was dissipated by the sudden-ness with which the appointment was spring on the staff, even the direc-ture, most of whom only learnt about tors, most of whom only learnt about it the day before.

If Mr Vinton does not win acceptance within Rothschilds - which is thought quite possible despite the fact that he enjoys Mr de Rothschild's patronage — he could still be frozen out by the house's establishment, and the whole exercise will have proved futile.

Mr Vinton appears to be conscious

of this danger and has been proceed-ing diplomatically. But he is likely to seek changes, none the less. Although Rothschilds makes lots of money and has found some successful market niches, he believes it needs to devote more time to strategy because the environment is so competitive. "In any business, specially financial services, all institutions face the question of how to survive," he says. For a private house like Rothschilds, survival is not so much a matter of staving off takeover but avoiding having to sell out to others. However there is some satisfaction at Rothschilds that events since Big Bang have proved those people wrong who predicted the demise of the smaller houses. If anything, demand

This has proved particularly true in corporate finance. Under Michael Richardson, the bank's energetic even frenetic — head of corporate finance, Rothschilds has emerged as one of the City's biggest deahnakers in the last year or so, particularly in government privatisations. As chief

for their services has increased.



Evelyn de Rothschild (left) and his No 2, Fred Vinton

underwriter of last year's disastrous BP sale which foundered on the market crash, Rothschilds nevertheless managed to emerge with some hon-our, having made the best of an appalling job. At any rate, the episode has not hurt Rothschilds' standing in Whitehall: it has just been appointed underwriter to the forthcoming £2.5bn British Steel sale. Altogether, it is now ranked number four in the merchant banking league in terms of the volume of deals done this year.

But in typical seat-of-the pants style, some of this success reflects a sudden rush of hig deals rather than deep down strength. Rothschilds' client list is not as replete with blue chip names as some of its competitors, and a recent survey by Crawford's, publishers of the Directory of City Connections, showed that it was not picking up much new business among newly quoted companies, the seedcorn of inture growth.

On the other hand, Rothschilds is one of the few merchant banks to make a big effort outside London - it has a long-standing office in Manchester and has just opened one in Wales to draw in provincial business – and Mr de Rothschild sees this as a source

Other features of the bank are an active treasury department, which includes the gold bullion business for which the firm is perhaps most famous, and a banking division with a small loan book. A less successful side is fund management where high staff turnover and poor performance have upset morale. Internationally, too, there is scope for growth. Although Rothschilds is strong in the US, it has made little of the dynastic connections with other Rothschild houses elsewhere, particu-larly on the Continent where the prospect of 1992 could open up crossborder deal-making opportunities. Inter-house rivalries are said to be an

There seems to be a deep division of opinion among Rothschilds watcher in the City about its prospects. While Mr de Rothschild's successes have kept the sceptics at bay, his position as chairman and chief shareholder is felt by some to be too domineering for the bank's good. It has been a feature of life at Rothschilds that people who thrive on doing deals in their 30s become frustrated in their 40s because the way to the top is blocked, and opportunities to influence strategy are limited. But Mr de Rothschild claims there is more democracy in his bank than people give it credit for. "Someone has got to be the custo-dian," he says. "And I was fortunate enough to inherit this business. But can I be contradicted? Of course I can. The most important thing is to have stability, and make people think they belong to a team."

At the moment, it is assumed in the bank that the succession to Mr de Rothschild will pass in time to his two sons, who are still at school. But since they are so young, there may have to be a "regency" period until they build up experience. Mr de Rothschild says he hopes they will succeed him, "but they will have to prove themselves first. I'm a great believer in meritocLOMBARD

# Time to scrap 'A' levels

By Michael Prowse

BRITISH 'A' levels are probably the most demanding school examinations in the world. The standards achieved in individual subjects are commendated in the standards achieved in the standards achieved in the standards are commendated in the standard in the parable to those attained in the parable to those attained in the early years of university to universities or polytechnics, courses elsewhere. This rigour and many of these have not is greatly admired at 10 Down-really mastered 'A' levels. Beting Street. Indeed, it explains ter teaching could obviously the Government's decision to raise the success rate. But minreform all aspects of the educational system except 'A' levels. Yet standards are high only because British sixth formers study so few subjects. A ludi-crous degree of specialisation is still insisted upon. Japanese, West German, French and

American teenagers follow a broad curriculum up to the age of 18. They don't drop key sub-jects like maths or literature. But the British, uniquely, see merit in children concentrating on just three (sometimes two) disciplines and these are often in related fields. This has pitiful results. Suppose Henry takes English, French and German and fol-

lows this up with a modern language degree at university. Suppose he gets a starred first class degree. Is he well edu-cated? Of course not. He will not have studied maths beyond the age of 16 and so will not know any calculus. He may well have dropped science at the age of 13 or 14. He will not have studied social sciences at all. The 'A' level system - bolan. The A level system - tor-stered by the tradition of speci-alised first degrees - has spawned a population of aca-demic cripples: graduates whose intellectual range is so narrow that they don't even appreciate the scale of their own ignorance.

The system, of course, has had an even more disastrous impact on less academic children - those that leave at 16 and those that fail at the 'A' level stage. In the US and Japan virtually all children stay at school until the age of 18. High staying on rates are also the rule on the Continent. But in Britain half the school population departs at 16. This statistic would be a diagrace in a developing country. But so long as the 'A' level

system remains unchallenged, a higher staying-on rate would make little sense. The sixth form failure rate is already

isters must face reality: the exam is clearly too difficult. 'A'

exam is clearly too difficult. 'A' levels are not a sensible hurdle to place before 18 year olds unless you want the vast majority to fall.

The strain placed even on bright children seems excessive. Success requires a great investment of time and effort: many sixth formers do three or four hours of homework a night. Few people in their 30s or 40s would dream of doing so much overtime, however seriously they took their jobs. The stress, moreover, is applied at an unfortunate psychological moment – just when teenag-ers are grappling with adolescence and striving to find

themselves as young adults. Education ought to be a sant, relaxed affair. Britain could surely learn something from the US, despite the frequent criticisms of low standards in American high schools. The point about the US system is that entry to higher education is not tightly constrained: 40 to 50 per cent of school leavers go to some kind of college. Intense academic pressure is applied only in graduate school — at the age of 23 or 24, when individuals are relatively mature.

The Government apparently the exams are quite inconsis-tent with two of its principal objectives: the broadening of the secondary school curricu-ium and the expansion of higher education. The obvious solution is an extension of the national curriculum (and the associated new techniques for testing and assessment) to age 18. The final tests should cover all the main disciplines. The standards required would be lower - but that would be a cause for celebration. The angst about 'A' levels would have disappeared and the scene would be set for mass participation in higher educa-tion.

### Solution for pay-TV

··· or serious the configura-

costs and the uncertainty as to the number of subscribers can be solved with the sid of a conto solved want the sait of a conpering pay-IV channels; I
tract which each year returns on a rental basis, offerin
to subscribers part of any
excess tental which has been
charged if the number of subscribers materially exceeds a
forecast level. There are a
number of forms which such a Regent's Park, NW1

Sir, Samuel Rittan (Loinbard, October 10) rightly says the risks attached to them.

But whether even this would provide a true market solution would depart.

But the ttle cost. But the problem of fixed choice by also paying on a pro-gramme basis or on whether there existed a range of com-peting pay-TV channels, priced on a rental basis, offering different types of programme.

### For once, let's keep it simple

From Mr Burt Edwards. Sir, It may be fashionable to be sophisticated in economic matters, but just this once, let's keep it simple. There are two factors which will always defeat this Government's freemarket approach to reducing inflation and unemployment: 1. Whenever a UK manufacturer identifies a market opportunity fed by a consumer-spending boom, it is cheaper and less risky for him to pick up the 'phone and order the product from abroad than to install extra plant and hire extra workers. It is too easy to

allowing 20 months to pay, also make it too easy for us to buy items we would otherwise defer. Good for business? Then why is it that all other EC countries require bank creditcard debts to be settled in full at the month-end? Are our 1992 partners wrong or are we?

There are free marks free markets and the UK. ("Continentals define sophis ticated as unnecessarily com-

Burt Edwards, Capital Business Training, 45 Hoddesdon Road, tead St Margarets, Herts

### 'Richard Branson has been reading the wrong column'

Sir, Richard Branson (Letters, October 11) has unfortunately been reading the

wrong FT column.
In fact, Lombard changioned Lex with superior insight during the summer of 1987: "Why bourses are so overval-ued" (July 10), "Why the hearle is rising" (September 18). Diary of a Private Investor pro-claimed "Fear of the crash" on August 1. Astute FT readers

were offered plenty of warning.
The Lombard on July 10 1987
is well worth quoting for a
nugget or two. "Every investor
should recall the lesson of histery: that bull runs always come to an end. All that is in doubt is the timing and the

stickiness of the end... Share prices are cur-rently being kept aloft partly by the investment communi-. Share prices are curty's extraordinary desire to rationalise events, however

bizarre." Lombard may indeed be accurate in anticipating that merchant bankers attend Restart interviews," (July 10

the sake of future wise guid-ance, it is not correct in predicting in the same paragraph that "the FT drops its stock-market pages in favour of an extended gardening commen-

tary." Edmond Jackson, Chenies, Butlers Dene Road,

### Proposition known to be untrue

Sir, The Labour Party's pro-posals for new regulated state-owned industry assume that politicians advised by civil serpoliticians advised by civil servants, mostly without business experience, are better judges of the investment needs, pricing and product policies, and research and development requirements than directors, nanagers and customers. We travelled this road in the 1960s and 1970s and we know

the Labour Party constitution. the proposition to be untrue.

These things are best left to a competitive market economy in which the Labour leadership also professes to believe. There is a real arguacted about the boundaries of the public sector and how best to get value from it: but the right context for the debate is not the desperate attempt to redefine clause 4 of

John Martin, PRS Consulta PRS Consultancy Group, 44-48 Dooer Street, W1

### Restrictions on car imports

From Mr E.R. Gurney.
Sir, The problem of importing British-built Nissan cars into France might be resolved by imposing an equivalent restriction on the importation into the UK of Renault cars none of which are assembled in the UK and which contain a very small percentage of British components. Moreover, the Renault com-pany still enjoys Régie status and is thereby insulated from 30 Milsom Street, Bath

market forces by "soft" finance from the French Government. The limitation of 3 per cen given to Japanese cars in the French market has no authority under the General Agree ment on Tariffs and Trade and the unilateral declaration that less than 80 per cent of the value of the vehicle classifies the car as a non-EC import has

The Combe,

### There is an effective commodity agreement - it is the CSO

From Professor Mike Faber. Sir, Your leader "Why Com-modity Pacts Fail" (October 4), concludes "Most commodity agreements collapse under the weight of their own contradictions . . . Those few that survive are not very effective. Suppose there to be an agree-

ment (or integrated set of contracts) which exhibited the following characteristics. • The price paid to producers

remained remarkably stable. When changed, it would invariably move upwards in moderate steps - har one or two restriction of production)

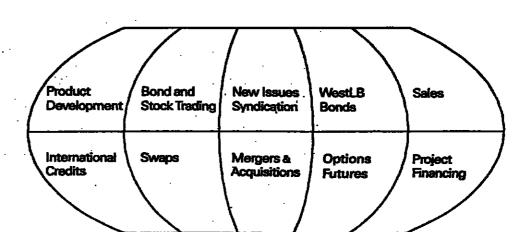
hlips disguised as quality changes or as the removal of a temporary surcharge. Production quotas were assigned and adhered to and the whole of a producer's quota would be purchased at a pub-

• Over 80 per cent of world trade in the commodity would be covered by the terms of such agreements - and when major new producers appeared, they would be embraced in its

provisions also. • When stockpiling (or became necessary, the burden would be shared between pro-ducers, wholesalers, manufacturers and the authority which operated the stockpiling – and advertising would immediately be directed towards increasing the demand for those varieties of the commodity in excess

supply. • The agreement, in essence, had lasted for over 50 years generally to the contentment of producers, distributors and consumers - while making very satisfying profits for the operators of the stockpile. During that time, the unit price of the goods had comfortably out-performed that of any other major primary commodity. Now would you not say that that was a very effective commodity agreement? But there is such an agreement. It is known as the central selling organisa tion (CSO) — and the commodity whose production, distribution and marketing it disciplines is rough diamonds. Mike Faber,

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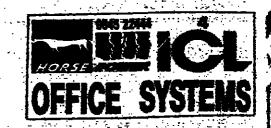
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# **FINANCIAL TIMES**

Monday October 17 1988



Janet Bush on Wall Street

### Rationale of the bubble that burst

IN this week of the first anniversary of the October 1987 global stock market crash, everyone will take the opportunity of a year's hindsight to examine what it was all about and whether it has taught us anything new about how finan-

cial markets work. The US Federal Reserve was crucial to the crisis management during the week which began on October 19 last year, as it assured financial markets that it would stand behind the

banking system and pumped markets with liquidity.

In its latest quarterly review, the Federal Reserve Bank of New York offers a number of articles examining the workings of the equity markets and the international nature of the

collapse in stock prices.

Two of the articles are written by Mr Gikas Hardouvelis. The first comes up with an intriguing explanation for why, in the months before the October crash, investors knew that the market was overvalued but

did not sell. According to National Bureau for Economic Research figures compiled after the crash, 71.7 per cent of individ-ual investors and 84.3 per cent of institutional investors had believed that the market was overvalued in the run-up to October 19.

Mr Hardouvelis suggests that this was not a case of "collective irrationality" but was the result of a particular specu-lative phenomenon called the "rational speculative bubble."

In the case of a rational speculative bubble, investors know that the bubble may crash and that they will not get out once the crash starts.

Nevertheless, they believe that the speculative bubble will continue to grow, bringing them large positive returns which are sufficient to compensate them for the probability of a bubble crash and a large one-off negative return.

In other words, the enormous returns available in the explosive tail-end of the bull market were thought to be enough to compensate for any disaster and therefore investors had no incentive to sell

The expected extra return when no bubble crash occurs is called a bubble premium, and the theory implies that the bubble premium is not only positive but increases over the

lifetime of the bubble.

During the lifetime of a rational speculative bubble, investors expect to receive positive abnormal returns (bubble premia) as compensation for the probability of a crash and a large one-time loss. The size of these abnormally large returns tends to grow as the specula-tive bubble unfolds because the degree of market overvalu-

ation rises. "The evidence points to a positive and rising bubble premium for approximately a year and a half before October 1987 in the national stock markets of the US and Japan. A positive and rising bubble premium is also present in the national stock market of Great Britain, but it appears much later, in mid-1987," he concludes.

About 18 months before the crash, the Dow Jones Industrial Average was hovering very near to the level reached after the massive 508-point decline on October 19, 1987, of 1,738.74.

It swung around aimlessly between 1,700 and 1,800 for the first four or five months of 1986 and then took off, 18 months before the bubble burst.

The article suggests that the collapse in the US market on October 19 simply returns equities to roughly fundamental value and that the difference between the 1987 peak and the close on Black Monday was the ground gained by the market during the 18 months when returns were abnormally high.

douvelis looks at the impact of margins on speculative activity, a matter much debated in the year since the crash and the subject of fierce intellec-tual disagreement.

He concludes that higher margins help reduce volatility. Using evidence drawn from an examination of equity market volatility in relation to the 23 changes in margin require-ments on stocks since 1934, he states that higher initial mar-gin requirements play a signifi-cant role in reducing actual stock market volatility, which reflects economic fundamentals, and excess stock market volatility, which has little to do with economic environment.

He argues that, whereas the existence of margin requirements has to date been aimed primarily to reduce the chance of defaults and a breakdown in the derivative market, they should now be looked at in the context of reducing market volatility as well.

# Chargeurs poised to fight Valéo

By Paul Betts in Paris

CHARGEURS, the French holding company, is expected to emerge this week as a "white knight" to help Epeda-Bertrand Faure, the French car seat manufacturer, fend off a hostile FFr2.3bn (\$367m) bid from Valéo, the country's leading car components group.
Valéo, which is under the

management control of Mr Carlo De Benedetti, the Italian businessman, sees the bid as important to building up its "critical mass" ahead of the 1992 European market reforms. But Epeda has publicly rejected the approach, and last week announced it was draw-ing up defences against Valéo. Chargeurs, which owns substantial textile interests as well as the UTA airline and a stake in the French fifth television channel, is now expected to top Valéo's paper and cash bid for 60 per cent of Epeda with a proposal that has the full backing of the Epeda management.
The defensive counter-bid is being engineered by Lazard, an important shareholder of Char-geurs, whose chairman is Mr

Epeda, which has taken out advertisements in French newspapers depicting Valéo as a crocodile, is expected to argue that the proposed Char-geurs counter-offer makes more industrial sense for the

car seat maker because of the

synergies between Chargeurs textile operations and its own seats and bedding activities. Moreover, Chargeurs appears financially well equipped to enter into a take-over battle with the rival group, which is 20 per cent owned by Mr De Benedetti. Chargeurs is sitting on an acquisition "warchest" of about FFr4bn following its

recent sale of its Sponter sponge subsidiary to 3M, the US industrial and consumer products group. In another French takeover bid, RTZ, the UK conglomerate, appears set to win control of Talcs de Luzenac, Europe's

leading producer of talc.

The way for Boraz Français, the French subsidiary of RTZ has been cleared to acquire control of the French tale concan following the decision of Cidem, a holding company, not to top Borar's FF1,200 a chare

Cidem, which controls 25 per cent of Tales de Luzenac, groups Knwatti financial inter-ests with the French state Burezu de Récherches Géologi-

ques et Minières (BRGM). Cidem had offered FFr1,306 a share but only for a further 26 per cent stake in the company, while RTZ's offer was FFr1,200 a share for all outstanding shares, valuing the company at

# **Koor faces blow from local banks**

By Andrew Whitley in Jerusalem

ISRAELI creditors of Koor Industries, largest industrial conglomerate in the Middle East, may this week join Bankers Trust, US investment bank, in seeking the winding-up of the \$3hn Israeli company.

This unexpected reversal of position by the local banks follows the faithful of the days of

lows the failure of two days of talks in New York between Bankers Trust and senior representatives of Koor and Bank Hapoalim, its largest single

creditor.

Koor has until Wednesday to reply to a Tel Aviv court order seeking reasons why the con-giomerate should not be put into receivership because of its

failure to repay \$20m in loans provided by the US bank. On Friday, Mr Shimon Ravid, Koor's finance director, confirmed that proposals presented to Bankers Trust centring on the bank's participation in an Israeli "lifeboat" and changes in the company's recovery programme - had not been accepted. But,

rejected outright. Emergency discussions of the Koor crisis resumed yesterday in Tel Aviv and Jerusalem, involving top government offi-cials and the heads of the country's three largest banks: Bank Leumi, Bank Hapoalim

he claimed, neither were they

and Israel Discount Bank. No breakthrough in the eight-day drama appeared to be in sight,

In Hungary, where he is on an official visit, Mr Ariel Sharon, Israel's Trade and Industry Minister, was reported by Israel Radio as say-ing that Koor needed to sell its assets and become more effi-

Israel could not let the crisis endanger the trust of the international banking system, he warned

Koor has denied market rumours that other creditors are considering following Bankers Trust's example, by

refusing to roll over maturing loans or renew credit lines. Help for the embattled Koor management came last night from an unexpected quarter.
According to Mr Benjamin.
Gaon, the company's president,
he had just received a telex of support for his recovery programme, and opposition to any liquidation move, from Koor's

Austrian bank creditors. One casualty of the continu-ing deadlock has been the post-ponement of Koor's half-year results, scheduled for publica tion today. These are expected to show a loss of about \$70to. considerably higher than fore

# Italy seeks 'Marshall Plan' for East bloc

took control of 12.5 per cent of Banco Central late last year. Gise his share of their joint

By Quentin Peel in Moscov

WESTERN EUROPE should consider the possibility of a "Marshall Plan" to aid the reconstruction of the Bast European socialist economies, including the Soviet Union, Mr Ciriaco De Mita, the Italian Prime Minister, has proposed in Moscow.

However, the initiative must come from the Soviet Union and its Comecon partners and go hand in hand with political tente and conventional disarmament, he said.

Mr De Mita was speaking after talks with Mr Mikhail Gorbachev, the Soviet leader. The summit saw the renewal

THE MERGER of two of

Spain's biggest banks, Banco Central and Banco Espanol de Credito (Banesto), was over-whelmingly approved at simul-

taneous shareholders' meet-

ings in Madrid at the weekend amid signs that boardroom

infighting, which has plagued the merger, may be intensify-

Both meetings approved additions to the boards of the two banks. Each bank will be

able to nominate four members

to the other's board. The boards will also combine to form a 48-member joint board of Banco Espanol Central de

Credito (BECC), as the new bank will be known.

The joint board's size reflects

the need to balance the power blocks that have emerged in both banks since Cartera Cen-

trai, a joint venture between

the Kuwait Investment Office (KIO) and the two powerful

Spanish cousins, Mr Alberto Alcocer and Mr Alberto Cor-tina (known as Los Albertos),

a summit meeting of all European leaders - without excluding the US and Canada - to promote the process of conven-tional disarmament, and his separate plan for a Mediterranean disarmament conference. At the same time a team of

Italian ministers and industrialists sought to reinforce their bilateral trade ties with the Soviet Union, including the signing of a Ecu680m (\$762m) line of credit to purchase Italian exports, and an agreement

for co-operation in space.
Both of Mr Gorbachev's conference proposals received a thoroughly cautious response from Mr De Mita. He said there

Saturday's meetings marked

a triumph for Cartera Central

and Los Albertos, whose 5 per cent or so of BECC will make

them the new bank's biggest shareholders. In the face of

opposition from Banco Cen-

tral's chairman, Mr Alfonso Escamez, they not only have four members on the Central

board but Mr Cortina has been named a vice-president in both Central and Banesto, the latter

as a Central nominee to the

More recently there has been

speculation of a rift between Mr Mario Conde, Banesto chairman, and his long-time

business partner, Mr Juan Abello, with whom he owns 5 per cent of Banesto. The two became Banesto's biggest

shareholders last year after the sale of their chemical com-

pany.

Mr Abello, a vice-president

of Banesto and chairman of its insurance company, Union y

Ranesto board.

was no need to accelerate the conventional disarmament process with a European summit. because the current negotiations in Vienna were in sight of agreement on a mandate.
As for the Mediterraneau, it

was too complex a region for its disarmament to be tackled "arithmetically," and should instead be considered on a

problem-by-problem approach.

Mr De Mits none the less appeared to support the Soviet position on two key issues on disarmament. He told Mr Gorbachev that Italy, like France, the present the property the property the property than the property the property than the pr was prepared to support the idea of a human rights confer-

cise his share of their joint

Banesto holdings indepen-

dently. Unconfirmed reports

suggest Mr Conde may have to

try to repair strained relations

with some of the old families who used to control Banesto

before he became chairman

earlier this year.

Los Albertos, who will have eight seats on the joint board,

have been heavy hostile buyers of Banesto's stock recently and it is possible that an old child-

hood friendship between Mr Abello and Mr Alberto Alcocer

may presage a new alignment in Banesto.

in Banesto.

BECC, with assets of Pta7,000hn (\$57.5\text{in}), will rank 24th in Europe and 60th in the world. A revaluation of their assets, which the Government will probably exempt from capital gains tax, will add about Pta160\text{in} to their capital giving BECC combined capital and reserves of about Pta530\text{in}, the

reserves of about Pta530hn, the

eighth largest in Europe. Observer, Page 20

Vienna talks reached a successful conclusion.

He also indicated support for

the Soviet agends on conven-tional disarmament: to start with the identification of conventional weapons strengths on both sides of the Nato-War-saw Pact divide, followed by the removal of imbalances and finally to negotiate global cuts on both sides.

Mr De Mita said he had emphasised throughout the talks the need for improved economic relations to be underpinned by political improve ments. It was in that context that a "second Marshall Plan"

### Spanish bank merger approved Hopes rise for SA

reform Continued from Page 1

future developments are likely to hinge on the Government's willingness to release Mr Nel-son Mandela, the jatled ANC leader, shortly after the Octo-ber 26 municipal elections, even if the right-wing white Conservative Party makes sweeping gains in the Trans-vaal and Orange Free State which give it control of key cities and towns.

regional development. At a time when the economic costs of South Africa's parish status have been underlined by the manipulation of anti-apartheid sentiment by Consoli-dated Gold Fields to stave-off a hostile takeover by South Afri-can-controlled Minorco, President Botha has been arguing the case for European and other foreign investment

ers, coupled with the new-found willingness of Black African leaders to deal openly with the South African Goveroment, will weaken the sanc-

rugby links following Dr Cra ven's decision to ignore criti-cism from right-wing whites and negotiate directly with the ANC about creating truly non-racial sporting bodies in South

In both cases, however,

After nearly two years of drift, and reliance on the harsh emergency regulations to maintain order, President Botha is being urged to abandon efforts to regain the loyalty of anti-reform white con-servatives and concentrate on building a new reform-orien-tated power base domestically and a more open foreign policy. The latter, of which the latest tour is part, is aimed at securing acceptance of South Africa's regional economic and military power status and its future role as a partner in

South African diplomatic sources hope that arguing the anti-sanctions case directly to Western politicisms and bank-

tions and disinvestment lobby. Pretoria has noted with interest the remarks of Sir Geoffrey Howe, the British Foreign Secretary at the Conservative Party conference in Brigh-ton last week, that what he termed the "trumpets of Jericho" school - which believes that sanctions will cause apartheid suddenly to collapse - had lost credibility.

# An anniversary but no message

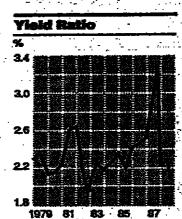
Boeing, Bethlehem Steel, F W Woodworth, Cadbury Schweppes, Allied-Lyons, and Trust House Furte are a mix-Trust House Forte are a mix-ture of highly cyclical and largely recession-proof stocks, but they all have one thing in common. They are the top per-forming shares in the Dow Jones Industrial average and the FT-90 share index over the past year and their record helps explain why many inves-tors are still so confused about the implications of last Octothe implications of last Octo-ber's Black Monday.

Was the worst collapse in share prices since 1929 nothing more than a rich man's panic, or did it have a more sinister message? If the only way to correct the substantial global economic imbalances is a sewere recession, then the massive underperformance of ICI, USX and Do Pont is understandable. But, by the same token, the equally dismal per-formance of defensive stocks such as Marks and Spencer and AT&T is puzzling. The eclipse of bull market glemour stocks such as Primerica, Dixons, British & Commonwealth, and Rine Arrow, comes as no shock. But GrandMet's willingness, a year after the crash, to pay close to 20 times prospec-tive earnings for Piliabury's mature and troubled businesses underlines the surpris-ingly different valuations which industrialists, their bankers and the stock market are putting on businesses.

Someone is wrong.

Admittedly, the strength of the world's economic engine the world's economic engine over the past year has surprised everyone, and with Wall Street and all the major Continental European bourses – apart from Spain – hitting 1966 peaks last week, there are signs that confidence is beginning to return. London may be a fifth lower than it was on the eve of Elack Monday but the Dow Jones Industrial average is little more than 100 points. is little more than 100 points or 5 per cent, off its pre-crash

level and the Tokyo market is nearly 1,000 points higher. In terms of valuation, the markets (Japan excepted) are much more soundly based than they were 12 months ago. The price earnings multiple on the SAP 500 has fallen from 28.2 to dend yield has risen by a third during a period when long bond yields have dropped by more than 100 basis points. The improvement in the UK market, where equifies are trading on a prospective yield of well over 5 per cent and a p/ e multiple of under 10, is even more dramatic. The yield ratios on both sides of the Atlantic are now at the lower end of their ranges, and assuming double digit corporate



profit growth in 1969 and stahie bond yields, then equities do not look particularly expen-

However, several of the factors which drove equities higher for most of the 1980s — the deceleration in inflation, - the deceleration in infistion, cheap money, and the swing to the right by many Governments - can no longer be taken for granted. There are already tell-tale signs that the authorities are becoming less relaxed about the surge in corpoints takeover activity and unless the steady rise in inflation and global interest rates is reversed, it is hard not to conclude that, for the time being, the easy money has been made in the world's equity markets.

Market makers

If Citicup was reckening on a quick, simple price war when, it cut its dealing spreads in the summer, it has been gravely mistaken. Spreads, which have now been cut to a aliver by spreads to be a everyone, have ceased to be a pressing issue; the battle between the market makers is over the more complex matter of dealing volumes, and looks set to last some time.

The big mariest makers can-not even agree on the way to light and each is still pretend-ing that it can make no sense out of the other's approach. On one side, BZW and Phillips & Drew are displaying prices on Seas that hold good only for the smallest parcels of shares. On the other, Smith New Good and House Govett are quoting prices in parcels some 20 times as large. Both sides claim the meral high ground, arguing that their actions are in the best interests of the client and point the way to a healthy market in the future.

Underneath the banter, the two approaches have much in common. All the stuff about protecting the client has pre-cious little to do with either. Any market maker that did not quote competitively to hig investors would simply lose

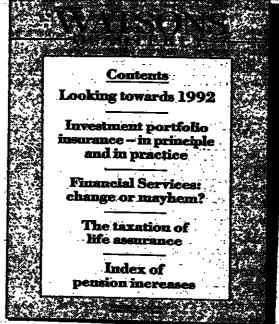
the business, while small investors are covered by the screen prices as before. Instead, the whole argument is about how to survive in a market that is about 30 per cent smaller than the two cent smaller than the two dozen players thought it would be at the outset. Until the crash there was plenty of profit to go round, as the rising market and rising volumes made it almost impossible not to make money. But a year later it has become clear that the big bounce in volumes is not on the way: these levels are not abnormally low; rather, the volumes in the year between Big Beng and the crash were amormally high Tois battle is the market's clumsy way of

While market makers individually are cagey about how much money they are making, all agree that return on capital across the market is unsustainacross the market is unsustan-ably low, the dispute is own-how best to impress it. BZW et al are trying to impress their return by refusing - quite understandably - to allow other market makers to burrow their capital. Meanwhile, the likes of Smith must be hoping to increase their market doni-pages, and flux increws their nance and thus improve their

profitability. It is no coincidence that both approaches leave the smaller market makers out in the cold They do not have the client base to reduce their volumes, for fear of being overlooked altogether; nor a strong enough market position to be able to risk increasing it. Either way, their days would appear to be numbered, and their best hope is that the market persists in its present must

Even though everybody assumes that the system cannot accommodate the two rival strategies indefinitely, it is difficult to imagine the automatic mechanism that will sort things but. The Stock Exchange seems unlikely to intersene because investors are not allegated in the market as a whole is functioning in an orderly way, in its latest quality of Markets raport, the Stock Exchange is positively complacent about present risks to the system: if evidently does not believe that if firms started to the system. If evidently does not believe that if firms started to withdraw, liquidity and competitiveness would suffer unduly. That leaves it up to the hig players to slock it out between these little outcome is so far from castain that warburg - the highest of them aff - has a full not officially decided which way to jump. At the moment it is flexing its market muscle, but shidled it decide to follow RZW, the others in the set of the player RZW, the entire are might not be far helded. ers might not be far be

# What does Watsons say?



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# R WATSON & SONS CONSULTING ACTUARIES

Birmingham - Bristol - Dublin - Edinburgh - London - Manchester - Reigste R Watson & Sons is regulated by the Institute of Actuaries in the conduct of its investment by

### Gold Fields sends out takeover defence Continued from Page 1 on development has yet to

problems and that it will be forced to dismember the Gold Fields group if its bid is successful. It renews the attack on Minorco's South African connections, highlighting the political protests that have followed the announcement of its

Gold Fields also questions the value of Minorco's shares, which it says have limited marketability. The Minorco offer is £9.50 in cash plus half a

Minorco share for every share in Gold Fields. With Minorco's shares at £6.20, that values each Gold Fields share at £12.60, compared with the mar-ket price of £12.34.

strong gold ore and stone reserves are the source of much of its long term value and argues that the full potential of the past five years' expenditure of more than film

Gold Fields says that its

A Minorco spokesman said yesterday that the document had "no relevance to share-holders and advances yet more personal and political attacks without addressing the finan-cial issues. There is no answer on "how Gold Fields can **WORLD WEATHER** 

deliver the value to sharehold-ers that we are offering in our

Continued from Page 1 ger purchases of UK goods by the Soviet Union. Bankers specialising in

The Deutsche Bank credit,

# Moscow

East-West trade believe, how-ever, that the Soviet Union could start to increase its purchases in the West

which is to be formally signed today, drew criticism from Washington on the grounds that it was indirectly enabling Mr Gorbachev's Government to divert more resources to



Despite the revival of Sweden's second city in the 1980s, the

region depends on Volvo much as it

once did on shipbuilding. But large companies are now trying to attract in new industries to broaden the manufacturing base. Robert Taylor,

# Eggs in more baskets

Nordic Correspondent, reports

of western Sweden around the city is the booming industrial powerhouse of the country this autumn. Many of its companies are enjoying a sustained spell of growth and high profits. "Everything is going well for Gothenburg," declared Mr Ulf-Gustavsson, the city's industrial bureau chief, a year ago. Since then, the local economy has become overheated with an unemployment rate of less than 2 per cent and measures have been taken to dampen

down demand in the construction industry. 🗆 There are some local worries about wage inflation and its impact on competitiveness but these are not yet serious enough to worry the board-rooms of Gothenburg. Indeed, Sweden's biggest concentration of industrial power remains a good barometer of the coun-

At the end of the 1970s the picture looked dramatically different than it does today. Gothenburg was until recently one of the biggest shipbuilding cities in the world but in just a few years most of the yards had gone and the workforce in the industry fell from 14,000 to less than a thousand.

Volvo, the car company that

海山 医囊型

GC/E/6

tain international car market. The giant ball-bearing firm SKF faced restructuring problems and cut its workforce by over half. There was a pervasive pessimism in Gothenburg about the future.

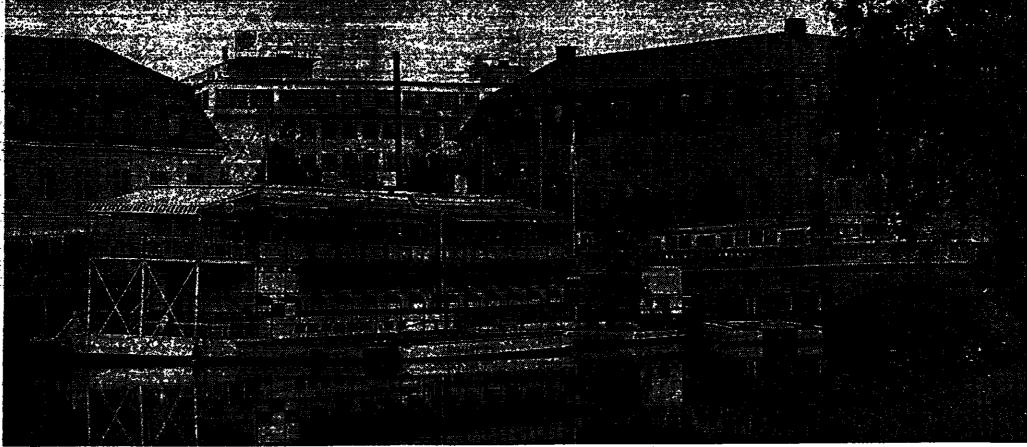
Unemployment rose to nearly 4 per cent - in Swedish eyes a catastrophic level. Investment was sluggish. Profits were hard to find. And there seemed to be little pros-

pect of any upturn in the city's economic fortunes.

The strength of Gothenburg's revival took everybody by surprise. It suggested that the city was not as dependent on shipbuilding for its prosper-ity as it had thought. Indeed, the region's industrial expertise in engineering has provided a wide range of manufac-turing activities with overseas markets that have benefited from the overall improvement

in the world economy.

But the present revival does have a troubling side for Gothenburg. The region's industry used to be based on the three pillars of Volvo, the shipyards and SKF. Now Volvo towers over the region like an economic Colossus. Many local policy-makers, including Volvo itself, believe that it is



# AND WEST OF SWEDEN

arez to be so dependent on the fortunes of one company. Especially as that company is part of an international industry that is susceptible to unexnected ups and downs.

business for Gothenburg. A

new organisation was founded

just over a year ago by many of the large companies, the

port and local authorities, with the specific task of trying to

attract new industries into the

region as a way of broadening

the diversity of the manufac-

Known as Pro-Gothenburg, it

has decided to concentrate on

certain specific areas for pro-motion. "Our priorities are in

energy and the environment,

says Mr Christer Roos, who runs the new body. "We must try and protect ourselves against the future. It would be very dangerous if we did noth-Selling the region is there-

fact, Gothenburg is well fore becoming an important equipped to make the neces-

sary structural readjustments

into becoming a High Tech city. The Chalmers University

of Technology provides an

impressive educational centre for the new skills that are

required. Every year it produces 700 qualified civil engi-

neers and 80 doctorates in engi-

1985 it has spawned over 130

small companies based on sci-

And Chalmers is no ivory

establishment. Since

neering and allied subjects.

inside the alling state-owned Celsins group — is enjoying a great success with the marketing of a new method of destroying solvents and other hydrocarbon-based substances in

in Gotaverken Miljo, which is

developing environmental products to clean up industrial processes. Another interesting

case is Si Tek, developed at

Chalmers in 1975 and now Swe-

den's third biggest semi-con-

ductor manufacturer.
The Innovation Centre, the

Centre for Product Develop-ment and Chalmers Technol-

ogy Park are good examples of

the way in which the Swedish

state is providing the crucial

expertise to help private indus-try to flourish in Gothenburg

and western Sweden by a close linkage with scientific research and development. Official anxieties about the

city's industrial future can also be detected in the worry about developments in the world outside Sweden over which the inhabitants of Gothenburg

city, Gothenburg has always looked beyond the shores of

ical supremacy of Stockholm.

and Gothenburg's thriving

tional programme to interest its members in what the consequences of 1992 might be for Riforts are also being made to involve the powerful Goth-enburg labour movement in INSIDE: The port, Uddevalla... 2/ Major industries ...4/ Small firms...5/ Business guide...6 the need to come to terms with the EC, though this may prove have little control. more difficult. The Social Dem-Ever since the 17th century when King Gustavus Adolphus decreed the founding of the ocrats are the main party on the council but Gothenburg

> Sweden and it has rarely suf-fered from any noticeable infe-riority complex about the polittrade tradition.
> Traditionally, the unions have been more militant in the city than in other parts of Sweden but they are also prag-matic and ready to compromise The attractive old quarter down by the river was designed by Dutch architects in the Amsterdam tradition when they believe it to be nec-

has never been a Red city, hav-

ing a strong Liberal Party free

attracted merchants and trad-

ers from abroad, particularly from Britain. There was a Scot-

tish community living in the

city for many years.

Not much trace of the British connection remains in

Gothenburg today. Indeed, the

city's ties lie far more with the

continent of western Europe,

particularly with the European

of the area's Chamber of Com-

merce, is one of those who

believes that Sweden should

become a fully paid-up member

The Chamber of Commerce

is launching a major educa-

Mr Ake Ahlstrom, secretary

Community

of the EC.

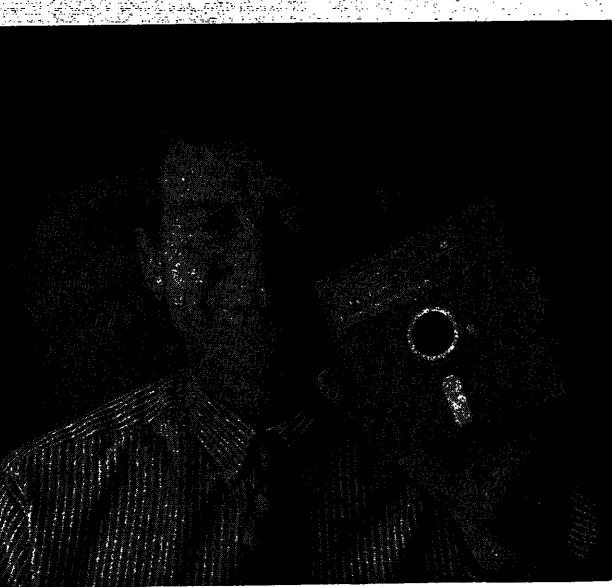
essary. The country's recent election

with around 10 per cent of the vote. And this has produced a new headache for the local business community. The strength of the Greens is not really surprising. The west of Sweden, as one of the coun-try's oldest industrial areas, is one of the most polluted. But employers fear that the Greens could hurt the competitive edge of their activities and they remain horrified at the government's policy of starting to phase out the use of nuclear

power from the middle of the

Yet local worries about the future cannot deny the real business potentialities of Gothenburg and western Sweden. An estimated 430 foreignowned companies, employing 12,900 people, are based in the region and there are no signs that the flow of overseas investment is drying up. But Mr Ahlstrom at the Chamber of Commerce fears that the area could suffer serious trou-ble if the EC internal market matures without any satisfactory deal being reached for

Swedish industry. "Gothenburg could turn into an industrial museum if we are not careful," he declares. Others believe such alarm is exaggerated. As in the past - they believe - Gothenburg and its region will thrive on the skills and business acumen of its



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SKF employs some 45,000 people from 130 different nations. Manufacturing takes place at 80 factories in 17

Apart from rolling bearings, SKF manufactures and markets cutting tools,

grinding machines, linear motion products, textile machinery components, aerospace components, fasteners and other mass-produced precision products.

In every one of these areas, SKF has a leading position.

Shipyard's closure led to retraining package - and then Volvo moved in

# Disaster averted at Uddevalla

THE SAVING of Uddevalla is one of the great recent success stories of Swedish regional pol-

Just three and a half years ago, the small town about 80 miles north of Gothenburg on the road to Norway faced catastrophe. Its only major industrial concern - Uddeval-lavarvet, a loss-making, stateowned shipbuilding yard had to be closed down, another victim of the international slump in the industry and increasing competition from

South-East Asia. Nearly 3,000 workers were tied up in the future of the shipyard, accounting for over half the industrial jobs in the Uddevalla area. But their fate was not left to the harsh winds of the market place and today only seven of the former shipyard workers are still jobless.

Much of the credit for ensuring that Uddevalla experienced necessary industrial change without mass unemployment must go to Mr Lennart Johansson. Social Democratic chairman of the town council. Recognising that the yard's closure was imminent at the end of 1984, he contacted an old friend from his days in the party's youth movement.

The friend happened to be Mr Thage Peterson, Sweden's Industry Minister. Together, the two hammered out a package of measures which were signed to ensure that Uddevalla did not become a disester area after the yard shutdown was officially announced in January 1965.

"Every worker in the yard was given a firm guarantee of a job or a training place that would lead on to a job," says Mr Johansson in his council offices, which were once the shipyard's headquarters. As much as SKr1.482bn in public money was provided for the two-year rescue plan

It was not indiscriminate isrgesse from the taxpayer, but a carefully planned strategy. A comprehensive retraining programme was launched. About 40 per cent of the shipbuilding workers underwent a variety of training courses, in such fields as production engineering, welding and machine tools and car assembly.

The state monopoly Labour Market Board made a special effort to assist the workers facing an uncertain future. The government agreed to improve the area's infrastructure by giving the go-ahead to a new

with Gothenburg. Government grants amount-

ing to a maximum of 30 per cent of the total investments made by incoming companies were provided to attract out side private investment. And most important of all. Voivo agreed to build its new car assembly plant on the old ship-

if Volvo thought that Uddevalla had a future, people thought they should think the same way

"People reasoned that if Volvo thought that Uddevalla had a future, then they ought to think the same way," says

The yard closure went ahead on schedule with the last ship being launched in June 1986. By that time Volvo had bought a major part of the yard and the company was already training workers for the new

ers directly employed at the shipyard now have jobs with Volvo but the company intends to increase the size of the labour force assembling the 740 model at Uddevalla to 1,000 by the spring of 1990 when it hopes that the plant will be

producing 40,000 cars a year. Volvo is introducing revolutionary new methods of car production based on a development of the work team approach which was first launched at its Kalmer plant on the Baltic over 13 years ago. It promises to make Uddevalla of international interest far beyond the car industry.

"Today our problem is not finding new jobs but training people to fill the jobs that are re and building new houses for them to live in," argues Mr

The shipyard workers themselves were encouraged to take an active part in redeveloping industry in the town and more than 100 business ideas were received from them by a special private enterprise group made up of businessmen, trade unionists and local politicians. As a result, 47 new companies

alla area, suploying just over 170 workers with 13 of them founded on organisational units at the shippard.

It is estimated that as much as SKribn of private finance went into the town over the past three years on top of the government's rescue package. Still it looks very much like money well spent. Unemployment in the area is only a 2 per cent, just slightly above the national average.

pleased that the Uddevalla suc-cess was achieved with no direct state lob creation through an expansion of the numbers employed in public services. The strong political consensus in Uddevalla helped to once the dangers of conflict. In the teeth of potential disas-ter, the town rallied round.

Our trouble nowadays is that we have been perhaps too successful," admits Mr Johansson. People round here just don't appreciate how difficult it all was at the beginning. They have forgotten there was a crisis."

Robert Taylor considers the prospects of Gothenburg port, Sweden's largest

# An accountant's eye at the harbour

THE PORT of Gothenburg is by far the biggest in Scandinable for the shipment of 21 per cent of Sweden's total imports and 16 per cent of its exports. But the port's future well-be-

ing cannot be guaranteed. indeed, last vear it made a loss (after financial items) of SKr14.9m and it looks like staying in the red this year as well. However, Mr Goran Wenner-gren, president of the group that runs the port since last April, is determined to turn the business into a success. "I want us to be back in profit within two years," he declares. A former vice-president of Gotabanken, he has brought a

customs and practices. With no background in running a port, he has the advan-tage of the outsider in pin-

cool accountant's eye to the

port's finances as well as its

pointing Gothenburg's weaknesses. "Productivity in the harbour is simply not good enough," he says bluntly. "People are not using their worktime efficiently.

Indeed, they work too little. think we probably have a third too many workers on our books. Our costs are too high." At times, as Mr Wennergren speaks, Gothenburg sounds like an echo of the lamentable experiences of many of Britain's registered ports in the 1980s and 1970s. It even suffers from militant industrial relations with, of all things, bitter

Last year there was a damag-ing dispute in the port over whether members of the transport workers or the dockers' union should operate the cranes. In recent weeks there has been an outbreak of trou-ble over wages between the

inter-union rivalry.

taken place, bringing the port to a standstill and adding to the local anxieties about whether Gothenburg can really mend its ways.

Mr Wennergren has worked out a clear-sighted strategy of what needs to be done, but he has to have the full co-operation of everybody if he has a hope of accomplishing it, There is so much tradition in this business," he admits. "But we have to agree on a better

way."
He denies there will be any need for a cut in the present direct labour force of 1,503 but he believes that the port uses far too many temporary workers when the volume of trade is concentrated at particular times and this adds to costs. Twenty years ago Gothen-

dockers and the transport burg was the first European port to introduce containerisation for trans-oceanic business. Now it faces a change of similar magnitude. It is unique among Nordic ports in having to face two different kinds of

First of all, there is, the

rivalry at the international level for trans-oceanic trade. As Gothenburg port's annual report explained earlier this year; "The expansion of the continental ports is far greater than the growth in traffic vol-ume. In this overheated competitive situation, the ports attempt to extend their hinterland. Scandinavia is one such border area within reach." This means that Gothenburg has to counteract the appeal of ports along the north Euro-pean continental coast from

Antwerp to Hamburg.

E Secondly, Gothenburg has

port which the Nordic region uses as its main trade outlet to the world. Nearly a third of all the general cargo going through the port is transit goods to or from Denmark, Finland and Norway. Gothenburg provides the reloading har bours between feeder and ocean-going vessels. There is no reason why other ports in the region could not begin to take this business seriously as

threaten Gothenburg's future as a port. There is a growing trend for the movement of goods to bypass the Nordic ports altogether through the use of rail and lorry.

of materials administration. The aim is to reduce lead times, that is the period of time for which a product ties up capital between the stage of raw material and delivery to

enburg is that continental links for lorries and trains autumn of 1996 and the of this year the capacity ferries between Sweden the Continent doubled, ma

The long-term prospect of a bridge of some kind to link Sweden with the continent fur-ther south at Malmo adds further cause for conce

But despite its difficulties the port - restructured only three years ago with the merger between the old steve-doring companies and the port authority - has provided itself with the modern equipment necessary to compete effec-tively. At the end of 1985 the port sold its properties for SKr700m through a sale/leaseenabled it to have the financial means to carry through its investment programme, mainly in the purchase of con-tainer cranes and straddle

trucks.

Mr Wennergren insists that he wants to see Gothenburg as the strong link in the transport chain of industry and trade in the Nordic area through increased efficiency in the handling of cargoes. At the impressive than Goth But he hopes his radica plan will convince doubting shipowners that they should stick by the port and not seek

alternative outlets.

Like ports in Britain and elsewhere, Gothenburg is suffering from a legacy of insecurity and suspicion, born out of the casual nature of the industry in the past.
It will not be easy to change old ways but Gothenburg has no alternative. The modern

transport revolution has no place for sentimentality.

Other dangers exist to

two years ago.
With its headquarters just outside Gothenburg at Mol-As Gothenburg port's annual report argues: "The reason behind this tendency is the growing industrial awareness ndal, where paper production has been carried on since the middle of the 17th century, the

company has undergone mas-sive investment (SKr2hn over the past three years) in new equipment with a concentration on modernising its fine paper annually. Mr. Lars-Ake

will total ground SKr6.5tm this year with an increase to between SKr6tm and SKr7tm in 1982. "Our investments will soon be yielding results," he says, pointing out that the Stora connection has provided some welcome frametal stability to the groundary.

Mr Helgosom is not alasmed by developments inside the European Community for the

The Possides well at Gotspietsec, looking down Kungsport Avenue

A FEW weeks ago the board of Stena Line, Sweden's large passenger ferry group, debated what her the company's

from Gothenburg to

somewhere outside Sweden.

The idea was turned down-"We like it here," says Mr Dan Sten Olsson, Stena's managing

Last year the Okson family

firm celebrated the 25th

anniversary of its cross-

channel ferry business out of Gothenburg, it has come a long way since then. Today the

group is a massive business

with an annual turnover of SKr3.562bn (about £328m). Its

profits (after financial items)

were SKristm and the group expects to see those rise to as

much as SKr240m in the next

In June Stena Line sought to

raise SKr780m in new capital from the stock exchange in a move that would put half the

capital and a quarter of the

largest forest group specialis-

ing in fine paper, newsprint, board and pulp, is now begin-ning to enjoy the advantages of its takeover by Stora nearly

financial year.

rters should be moved

STENA LINE

Ferry's 4m guests

voting power of the company in the hands of its own work-

force, institutions and private

investors. The aim is to

provide the means to expand

the company's ferry and hotel

The dynamic and optimistic

Mr Olsson puts a big emphasia on customer satisfaction in his

rapidly growing group. "We don't call people who travel

with us passengers but guests," he proclaims. Last year more than 4m of

them took a Stena Line trip,

mainly from Gothenburg to

ports in Denmark, Norway and

West Germany. As much as 80 per cent of the company's

annual turnover stems from its

ferry business, of which 45 per cent is holiday travel, 10 per cent from business conferences

and a further 45 per cent from

But Stena is also responsible

for handling over a third of the

bulk cargo traffic from Gothenburg Mr Olsson admits

**PAPYRUS** 

sure excursions.

European Community for the future well-being of Papyrus but he believes that the company will have to establish

Paper is just fine

that the group's roll-on and

roll-off activities have proved disappointing in recent years because an excess of trainings in the market has kept income

down. However, conditions

have been improving.
There have also been problems for Sima's affilians contracting business in a risky market. Nevertheless, the company has spread its interests one hore into

property, hotels and the het

food business, setting up

We will be more integra

by 1992 and much bigger," Mr

Moreover, the prospect of

road and rail bridge to link Sweden with Denmerk further south of Gothenburg, between

Maimo and Copenhagen, could

siso hurt Stena's interesis,

although that particular threat

**Robert Taylor** 

is still on the drawing board.

Burger King chains in Nordic countries.

Olsson says.

Helgesson, the company's man-aging director, says that sales will total ground SKr6.5kg this dropen rivals. The main worry at the moment are the environ

moment are the environmental pressures. "Sweden's energy-policy spec concern us," he admits, believing that it will not only be Papyrus but much of Swedish industry which will be in trouble if the phaging out of hadder many starts to the minimum of the paper modules continuous for the paper modules continuous. for fine paper products contin-ues to look promising. By concentrating on that single prodbelieves the company can



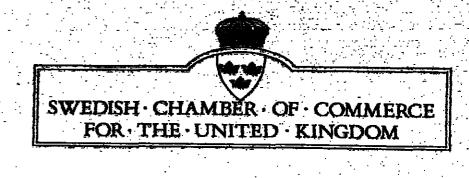
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For further information, please contact Mr. Gunnar Fineman, Director, Swedish Chamber of Commerce, 72/73 Welbeck Street, London W1M 7HA. Tel: 01-486 4545. Fax: 01-935 5487.



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In connection with existing financing within

STENA OFFSHORE and STENA FERRIES Ltd

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7,800,000 New restricted shares
200,000 Non-restricted shares
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at
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and

Introduction of the shares on The Stockholm Stock Exchange

The company shares are at present traded on the unlisted securities market and an application has been made for the shares to be admitted to the AI list.

Stena Line AB is a company active in the ferry service/luxury transportation business and operates 12 modern passenger ferries between Scandinavia and the European Continent and between Canada and USA.

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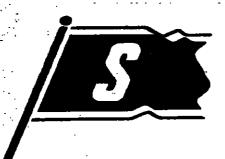
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ESAB is the world's leading manufacturer of welding equipment today, but its path to success has been fraught with difficulties in the sector.

A decade ago, the Gothen-burg-based company faced tough competition in the mature welding industry. The oil shock led to a decline in the steel and shipbuilding sectors, two of the main markets for welding machines and consumables such as electrodes and welding rods. As a result, ESAB notched up losses between 1977 and 1979 and was clearly in trouble.

Mr Bengt Eskilson, who joined as managing director and chief executive officer in 1980, decided that the way to put ESAB back on its feet was to turn the group into the European market leader. He set in motion a series of strategic acquisitions, buying up companies in the welding industry in Europe such as Hancock GmbH in West Germany, BOC Welding Division in the UK, Philips Welding Industries Europe, and Arcos

Many of the companies it bought were heavy loss-mak-ers. ESAB closed down factories in order to reduce the excess capacity, a strategy which proved costly in terms SKr4.265bn. The group remains

SPA in Spain.

Sara Webb on ESAB's drive to become European market leader and (right) one of the group's key niches

# A welder's shopping spree

of redundancy payments, but which Mr Eskilson felt was the only way to boost ESAB's operations.

The effects of these measures have taken longer than expected to show up. After the oil shock years, ESAB faced a further setback in 1986 with the fall in oil prices and the repercussions that that had in the offshore sector.

ESAB witnessed drastic cuts in investments in the offshore and oil-related industries, as well as by the oil-exporting countries, with the result that demand for welding and cut-ting equipment fell sharply. This called for new cost cutting measures on the administration side, cuts in production, greater sales efforts, and a reduction in the group's dependence upon the shipyard and

offshore markets.
By 1987, the benefits of these measures started to show up and ESAB turned in a profit (after financial items) of SKr205m on invoiced sales of

chs	five ye inging fort Figures in St	<b>11170</b> 5
Year	Sales	Profit
1983	2.529bn	151m
1984	3.07 <b>4</b> bn	· 140m
1985	3.926bn	204m
1986	3.954bn	150m
1987	4.265bn	205m

optimistic about demand in Europe this year and next. ESAB's four main business

areas are: • Consumables, such as covered electrodes, solid wire and flux-cored wire, which accounted for 50 per cent of group sales, or SKr2.14bn last

Standard machines, accounting for 21 per cent of group sales, or SK1893m last

 Automation, formed by the merging of ESAB's welding automation and cutting machine divisions, with 25 per cent of group sales, worth

 Gas weiding equipment,
 which accounts for 4 per cent of sales, or SKr159m. The group, which has 70 per cent of its employees working

outside Sweden, has two stock electrode factories, one in Gothenburg and the other in Perstorp, Sweden. It produces the general electrodes in the UK. West Germany, France, Spain and Italy, while flux-cored wire is produced in the UK and Netherlands.

ESAB's standard welding and automated machines are made in Laza, Sweden, and the cutting machines are produced in West Germany.

Throughout its active shopping spree abroad, ESAB has stuck to the strategy of keep-ing its acquired market share by retaining a multi-brand identity while restructuring the acquired company behind the scenes, using benefits of scale in production and distri-

hution. Mr Eskilson maintains that

be able to keep the same brands that they are used to, especially in an industry with a marked sense of brand loyalty. In most markets today. RSAB tends to offer two or three different brands. Back in 1980, group sales were almost 95 per cent ESAB brands, but after its acquisitions in Europe, the group now finds its sales are split between 75 per cent own brand and 25 per

cent other brands. The immediate priority is to improve reliability in supplying customers and providing back-up services now that ESAB has achieved much its restructuring. The group recently launched a project for all its employees to look at how service to customers could be improved, and hopes to see the benefits of this over the next 18 months.

In the meantime, it is on the look-out for more acquisitions to help build up its market share in Europe and the US.

# Cutting down stock

has chosen to concentrate on in the automation field is the use of flexible manufacturing

systems (FMS).
These have the advantage of helping to reduce the amount of capital a company has tied up in inventory.

SSAB's main customers for FMS are the producers of heavy trucks and excevators, as well as their sub-contrac-

The group saw the need to develop such manufacturing systems when it calculated that in some sectors of Swed-ish industry, stock can repre-sent up to 50 per cent of tied up capital.

In some cases, the cost of keeping this stock - in warehouses, complete with insurance - can be as much as half the value of the stock

**ESAB** has designed systems where components are loaded opto separate pallets which can be ballyidually recognised by a controlling computer,

The components are then welded in a specific order according to the programme in the computer, which in turn can be connected so that it is co-ordinated with the company's order and production laming systems. The production process can

be left unmanned and so can take piace around the clock.
It also means that it is no longer necessary for a company to keep stocks of semifinished products waiting around in warehouses because a piece of equipment (such as, for instance, a piece of aligning equipment for a car or motorcycle) is worked on from

start to finish and then deliv-

ered to the customer. Assembly is planned according to the customer's require-ments, eliminating the need for large stocks of finished

ESAB calculates that on average in Swedish industry, an industrial component is worked on for 6 per cent of the

time and spends the remaining 94 per cent in buffers waiting to be worked on. The FMS is therefore meant

to cut down the waiting time and means that the pieces do not need be kept in stock.
So far, ESAB has sold about
two dozen of the FMS which on average costs about two or three times more than a

typical welding station. Its customers tend to be companies which are sub-suppliers to major groups that have decided to reduce inventories and have therefore pat pressure on the sub-suppliers either to build up inventories themselves or seek less costly

alternatives. "It does not make sense for a company to have a lot of dollars tied up in inventory when it could pay off its loans instead - so they get the sub-suppliers to deliver just in time and this means the anhsuppliers have to change over too," says Mr Lars Westerberg, head of ESAB's automation

### **VOLVO**

# Health of a city

GOTHENBURG is more than ever Volvo city. The biggest private company in Scandina-via dominates its industrial landscape and it looks like doing so for many years to

As many as 25,000 people work for Volvo in Gothenburg on Hisingen island just outside the city. But there are also an estimated 2,000 sub-contractors in the western region who rely for much of their business on Volvo. The company remains important in generating employment across the private services sector, from

advertising to banking.
It is estimated that over 50,000 workers have their livelihoods tied up in the prosperity of Voivo. The company's charismatic chairman, Mr Pehr Gyllenhammar, takes a fierce pride in emphasising its Gothenburg power base.

This is where the major Volvo decisions are taken, not in Stockholm or somewhere abroad. When Mr Gyllenhammar speaks to the media, he likes them to come to him athis palatial headquarters, on a hill overlooking Volvo's

sprawling domain. The company's annual shareholders' meeting, held in Gyllenhammar presides like a consummate politician, has become a major event on the Gothenburg

summer calendar Three months ago Volvo demonstrated its role as good citizen by sponsoring an American football match in the city between the Chicago Bears and the Minnesota Vikings, the company's contribution to the New Sweden promotions that have been designed in a move to strengthen Swedish ties across the Atlantic. The company is a major patron of the flourishing local symphony orchestra and it pumps money into a range of local sporting activities.

But, first and foremost, Volvo is a highly successful business, not a charitable institution, and it has grown increasingly aware of its crucial importance to the health of the region's economy. "If we fell, there would be very little left here", admits Volvo's Mr Johan Hallenborg.

Of course, there is no worry at the moment about the company's commercial health. It has never had it so good. The second quarter results this year were the best on record and observers of the Volvo performance admit that Volvo has exceeded their most optimistic forecasts.

The company was born in Gothenburg on the night of April 14 1927 when its first car rolled off the assembly line. Indeed. Volvo was the child of SKF, which provided the necessary financial backing to one of its young sales managers, Asser Gabrielsson, and a former SKF engineer, Gustaí Larson, to launch a Swedish automobile industry. The two men combined

financial expertise and technical skill and within a short prodigy into a major business. Yet until the middle of stays with the company only for an average of four years they had turned their almost wholly with the Scandinavian market. It was only then that the company began to look to the United States in

particular for expansion. Over the past 30 years Volvo has grown into a major international business with the world, but Gothenburg (and west Sweden) still empire.

No doubt, there is more than a touch of sentimentality about changing fortunes

	Figures in	<u>2Kr</u> _
Year	Sales	Profit*
1983	99.46bn	3.9452
1984	87.05bn	6.4641
1965	86.196bri	7.7655
1986	84,09bm	7.502b
1987	92.52bn	9.2715
'After I	Inergial Reme	

the company's close identifica-tion with the city where it was born, but it also makes sound business sense. Gothenburg's strategic location has been important for Volvo and it looks like becoming even more so as the dynamic of the internal market inside the European Community grows.

But, surprisingly, the company does not have a particulariy loyal workforce. Perhaps the very tight employment market at the moment is bidding up the price of labour and making Volvo look less attractive for workers with skills which are in high demand in the region. Whatever the reason, both turnover and absenteelsm are running at around 25 per cent a year at the moment in some parts of the company's Torslanda assembly

and the labour force remains extremely young. Most of those on the stressful assembly line are under the age of 30. But Volvo has been very aware of its responsibilities and in close co-operation with the Metalworkers' union, which is all operational activities across powerful in the Gothenburg area, it has made substantial advances in providing a remains the centre of its cleaner and more humane working environment for its

There is no tradition nowa-

days of son or daughter follow ing their parents into Volvo. Indeed, the company is con-cerned at what it sees as the widespread resistance among young people with the requisite skills to working at Volvo.

The car manufacturer is now making a big effort through Gothenburg schools to give youngsters aged 15 to 17 a taste of industrial life as part of their preparation for the labour market. It sees a much closer link between the education system and the manufacturing process as crucial to enable Volvo to recruit and retain what it needs in the future - a more skilled workforce who have the sophisticated know-how to

erate more flexibly. Volvo has to live with its high public profile in Gothenburg. It is the company that the environmental lobbyists love to hate. Yet compared with foreign car companies Volvo is much more concerned with pollution both in its plants and in its vehicle emissions. The new paint shop at Torslands should go some way to assuage outside criticism

Nevertheless, as one director idmits: "We do pollute a lot because we have so many activities. However, the company launched an advertisement campaign earlier this year to try to convince the outside world that it did take its environmental responsibilities very seriously.

Surprisingly, a public Gothenburgers a year ago found that a majority of them believed reducing Volvo's pollution was more important than preserving Volvo jobs. Such an attitude may well reflect the greater degree of security that local people feel as a result of a return of the good times in the city, rather than any lack of concern about

what happens to Volvo.

For whether the inhabitants of Gothenburg like it or not. their city's health depends on that of the company.

# Bearings set for shake-up SKF: five years of

SKF, the roller bearing group, owes its existence in Gothenburg (in part at least, or so one could argue) to the nature of the city's shifting clay founda-

A young engineer called Sven Wingqvist, who worked at a Gothenburg textile factory at the start of the century, noticed that the shifting foundations put stress on the factory's overhead shafts and decided to design a ball bearing which would accommodate mislignments in the shafts. The resulting double-now self-aligning ball bearing became an important product for SKF which was set up to produce and market Wingqvist's inventions in the

bearings field. SKF grew to become the world's leading roller bearing company, supplying the automotive, heavy and general machinery and electrical industries. Today, bearings account for 85 per cent of group sales and 75 per cent of profits, dwarfing SEFs other operations such as cutting tools and components for the sircraft and textile industries.

Though its headquarters are in Gothenburg, 88 per cent of SKF's manufacturing and 96 of its sales an However, overcapacity and tough price competition in recent years has led to low profitability at SKF and given analysts cause to complain about its rather lacklustre performance. Earlier this year. Trelleborg, an aggressive Swedish industrial conglomerate which has expanded rapidly through acquisitions in the past five years, bought a 10.1 per cent voting stake in SKF, prompting specu-lation about a possible take-

SKF, whose main shareholders are the Wallenberg family changing fortunes Figures in SKr Sales Profit\*

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and Skanska (the construction group), preferred to see the move by Trelleborg as "an interesting investment" but Trelleborg has made it known that it believes SKF's performance could do with a shake-up. Seemingly unperturbed by

Trelleborg's advances, Mr Mauritz Sablin, SKF's chief executive officer and president, admits that the problem which has to be given priority is low profitability, adding that the way to increase that is through the market

He sees SKF's assortment of

in technology. "Product development is

very important for us as the new ideas in the manufacturincreasing pressure to perfect the production and development side, he says, so that bearings are designed to last according to the lifespan of the product they are used in.

Mr Sahiin appears optimistic about the group's prospects over the next year as he detects signs that the problem of overcapacity in the bearings industry is easing.

Aiready there is renewed demand in the US - undercapacity is a fact there and it's difficult for customers to find suppliers," he says, adding that the same trend is beginning to emerge in Europe.

Mr Jan Essunger, finance director, says the group plans to reduce the amount of capital tied up in inventory to improve

A strategic acquisition may be necessary "as there are too many companies in the market"

SKF

facturing facilities as the group's strengths but admits that further cost-cutting is necessary. The group has already started to implement wideranging cost-cutting measures at its plants in West Germany and Italy which have been dogged by low profitability and it expects the benefits from se to show through in 1988

and 1989. Sales efforts have been stepped up, with more inten-sive training for sales staff, and more emphasis is being put on widening research con-tacts with universities in order

products, its quality and manu- the group's financial situation. He expects to see a significant improvement in margins and profits over the next year, helped by the fact that price competition is reduced and overcapacity is not so critical. The group upped its profit fore-cast for 1968 saying it should return to the 1986 level of about SKrl.25bn after the set-

backs last year. And if the general business climate for 1989 remains as good, profits should increase further next year, he adds. One important factor is that Mr sunger expects the capital

goods sector to develop more

to make better use of advances rapidly than the automotive sector. SKF earns better margins on capital goods than on automotive products.

"It is a function of mix shift. ing area are endless," says Mr If the weight of our sales Sabin. With the use of electronic equipment there is heavy industry sector our profit margins will improve, he says.

Looking to the more distant future - the next five to 10 years - Mr Sahlin believes there will have to be major shake-ups in the bearings industry

"It will be a very different picture from today with acquisitions and mergers by the big-ger companies," he says, adding that SKF will probably he forced to make a strategic acquisition because there are too many companies in the market today."

But with strict regulations on monopolies and market dominance in markets such as West Germany and the US, it could prove hard for SKF to achieve this goal. Today, SKF has over 35 per cent of the market share in Europe, where its main competitors are FAG of West Germany, RHP of the UK and SNR of France.

It has about 12 per cent of the US market where it comrington. But in Japan it has barely a 1 per cent share and faces tough competition from the Japanese producers NSK and NTN.

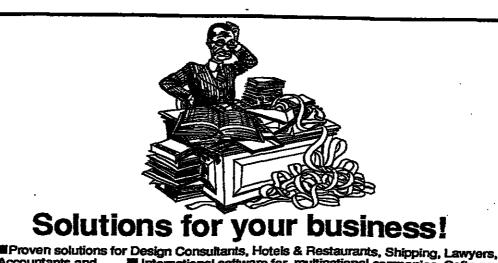
the possibility of making a major cross-border merger (as Asea, the Swedish electrical engineering group, did in 1987 with Brown Boveri of Switzerland) in order to shake up the bearings industry, but for the time being he is prepared to

wait for an opportune moment.

Mr Sahlin does not rule out

Sara Webb





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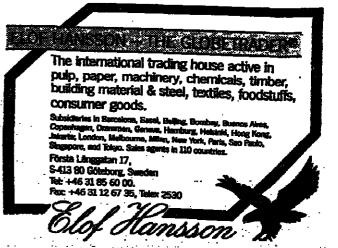
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SMALL BUSINESSES

# Shadow of the giants

MENTION GOTHENBURG and most Swedes tend to think of the big international industrial names with headquarters there, such as Volvo, SKF and ESAB. However, while the business scene is dominated in terms of employment and output by the big names, the vast majority of businesses in the Gothenburg area are in operating as sub-contractors to the giants

very big companies which feed off lots of service businesses and sub-contractors," says Mr Swen Persson, chairman of the Gothen burg branch of the Gothen burg branch of Sweden's National Association of Small Businesses, which includes companies with fewer than 200 employees, chiefly in the industrial sector.

"There are a few companies which affect us all a test in

which affect us all a lot in Gothenburg, since all these

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There is a lack of space for workshops

big companies need services and that is a very good environment for small ses." he says.

There are an estimated Gothenburg and Bohus region out of a total of 87,975 companies. Small businesses employ 130,475 people in the area and have flourished in the shadow of the big names.

Though Gothenburg was badly hit by the oil shock in the 1970s, and witnessed the closure of its shipyards and a freeze on construction, eco-nomic prosperity has returned in the last four or five years and the turnaround for the major companies has naturally meant a more favourable climate for small busines

Mr Persson attributes some of the success in the small business sector to the fact that it is much easier for small es in the Gothenburg area to build up networks of

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contacts and suppliers than in the remoter parts of Sweden.

"Here we have everything within a couple of kilon company selling components, or with experience of selling to the Middle East or marketing it is on the doorstep - unlike the small towns in the north where you have to find everything yourself because you may be the only business for miles around," he says.

Mr Persson's own firm, an industrial glazier called Ferm & Persson, is situated in the Högsbo industrial estate which started up in the 1950s, along with about 600 other busi

The Sisjen industrial estate, and the more recently developed Garda estate which res built in the old textile mill district, are home to the newer service businesses such as iputers and consultancie but one of the most common complaints today is over the lack of space for workshops in

the region.
With Gothenburg office space expected to double in the next couple of years and wages in the building sector rising fast, the authorities have placed temporary restrictions on new office construction

The sconomic boom in the whole country has undoubtedly encouraged the setting up of small businesses. However, while Sweden's crip-pling high taxes prevent most people from saving up enough money to set up a capital-intensive firm, banks are only too willing to lend in an increasingly competitive Savings Banks are particularly popular with small businesses, though there are also the

tal funds to turn to for money. The National Association of Small Businesses sees its role as beloing small businesses to

as belying small businesses to buy basic supplies (such as oil and petrol) and services at lower prices by placing bulk orders for its members with major suppliers.

It also advises members on questions of union membership and practices (in Sweden, if there are over 25 employees, there is supposed to be a union represent this is not very common among small businesses), on how to conduct pay talks, training and education (one member recently went to work at Harreds to learn talloring), as well as whose to rest reasonably-priced workshop



Sara Webb on the company's high tech moves

# Hasselblad plans to stay on Quality St

that its camera was the first to be used on the moon. Officially, there should be 12 Hasads up there on the lunar landscape as astronauts were told to leave behind their heavy technical equipment and bring back lumps of rock in their place. But according to one story, the astronauts were loath to leave some of the world's finest cameras up in space and eight of the original 12 returned to earth.

With its reputation among professional photographers for top quality, Hasselblad has dominated the medium format commander the measure in market soctor of the camera market has steadily shrunk, Hassel-blad's profits have stagnated: the company has been forced to turn to other high tech areas in the image field and related camera business, and is hungry for acquisitions.
The Swedish company was

set up in Gothenburg in 1941 by Victor Hasselblad, a keen amateur photographer and art collector of aristocratic descent. He found that he could not take pictures of birds and wildlife of a high enough quality using his Leica, so be decided to produce his own

launched in 1948 and Hasselblad has since won a reputation with professional photographers for producing one of the leading cameras.

Though today's managing director, Mr Jerry Oster, admits that there was no for-mal decision to concentrate on the quality sector at the beginning, he maintains that "the quality factor is — and has been — very important to us."

As a medium format camera, which uses 6cm x 6cm film, the Hasselblad produces high quality pictures which do not have

At £1,375, this is not for the amateur

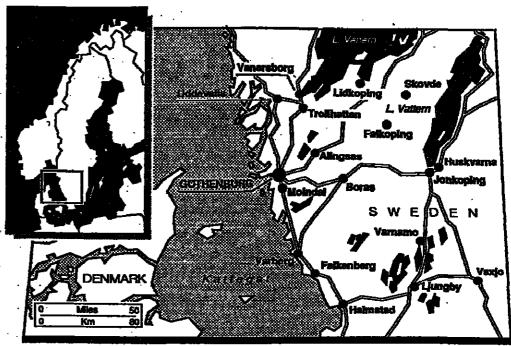
to be enlarged by as big a fac-tor as 35mm film and which therefore reproduce better. Since 1957, the company has stuck to the same basic mea-surements for the different camera parts so that they can be interchanged and upgraded. "I think we have been loyal to our customers," says Mr Oster. But with a price tag of at least SKr15,000 (about £1,375) for a basic camera body, lens

is obviously not for the average amateur photographer and the company rejects the idea of mass appeal.

"We decided never to go for the mass market," says Mr. Oster. Hasselblad has in the past considered whether it should break into the 35mm sector, though Mr Oster maintains that it would be a serious mistake to do so in view of the tough competition from the Japanese. If we had picked the \$5mm sector we would not have stood a chance," he adds.

Instead, Hasselblad has stuck to a very narrow seg-ment of the camera market; it has less than 0.3 per cent of the total camera market, but domi-nates the medium format sector with 50-60 per cent of the market. Its main competitors in this area are Mamiya and Bronica of Japan, Rollel of West Germany and Pentax.

Unit sales have stayed at the same level for the last three years, forcing the company to shift to a more expensive prodnct mix. This has lifted sales from SKr380.7m in 1985 to SKr451m last year, but profit (after financial items) has fallen from the 1985 level of



SKr47.7m to SKr43.6m last

Today, about 50 per cent of turnover comes from lenses while a further 20-25 per cent comes from camera bodies. However, in future, one of the key growth areas that the company is pinning its hopes on is in electronic image processing including its recently launched

Dixel 2000, a photo transmitter. Hasselblad tried out a prototype of the Dixel 2000 during the 1964 Olympic Games which allowed black and white photos to be transmitted by the success of colour newspa-

pers like USA Today and decided to concentrate on a digital system which could transmit colour images, believ-ing that the wider use of colour because of the advances in printing technology. At the Seoul Olympics this

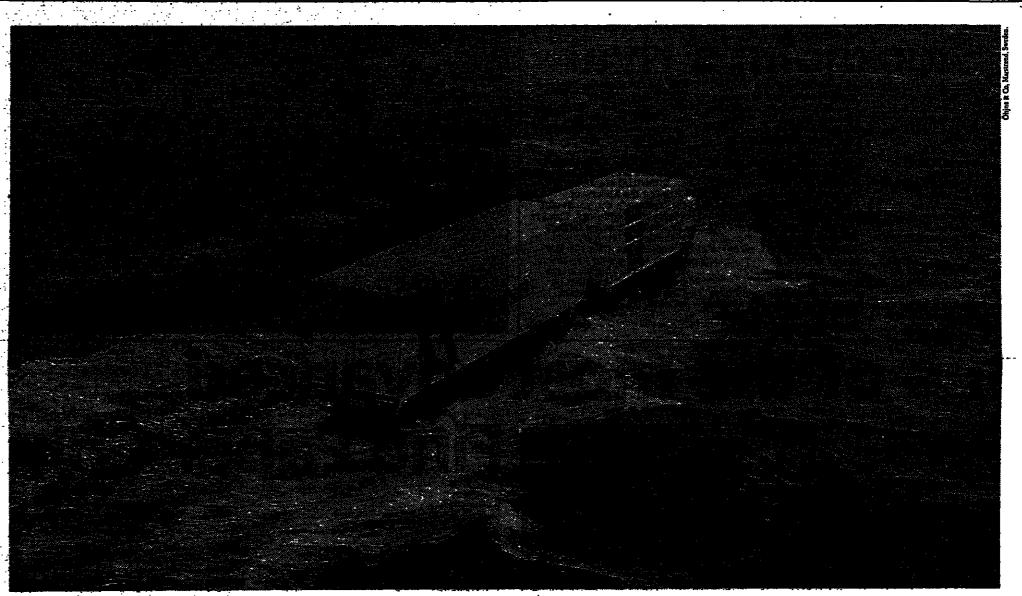
year, most of the Swedish newspapers used the Dixel 2000 head office. With equipment the size of a small suitcase, a photographer can send a colour negative around the world in a few minutes.

Other new projects include picture storage systems using

suring systems like the one itdesigned for Stockholm's Musi-cal Institute when it wanted to measure all the Stradivarius violins in order to document

and study their designs.

While realising the need to focus on technological developments, Mr Oster says the com-pany is scouting around for acquisitions in the classical photographic or more advanced fields, and is particularly interested in a company with a strong international marketing network which would help boost Hasselblad's



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Sara Webb looks at the role of the banks

# **West Coast cannot** be ignored

exporters such as Volvo, SKF and ESAB in Gothenburg has naturally made the city an important one for the Swedish banks when it comes to trade-

related business. 'Volvo is Scandinavia's biggest group. As long as Volvo is here, we will be here," says Mr Per Thoren, the interbank and currency manager at Skandi-naviska Enskilda Banken's Gothenburg office.

Stockholm may be the financial centre for groups like Ericsson, Electrolux and Asea Brown Boveri, but none of the big banks can afford to ignore the companies on the West Coast, and all the big four -Skandinaviska Enskilda Banken, Svenska Handelsbanken, the state-controlled PKbanken, and Gotahanken - have large offices in Gothenburg. Also, the major companies prefer to be able to deal directly with a foreign exchange trading desk in Gothenburg, rather than deal with Stockholm.

When Sweden opened the door to foreign banks in January 1986 and allowed 13 of them to set up subsidiaries, nearly all of the foreign banks chose to set up in Stockholm, with the exception of Den norske Creditbank (DnC) of

Norway.

DnC decided to have its subsidiary in Gothenburg in order to concentrate on Swedish-Norwegian trade financing and strengthen its contacts with Norwegian companies, many of which are based in the Gothen-

which are based in the Gothen-burg region, offering export and project financing. It also believed that start-up costs in Gothenburg would be considerably lower than in Stockholm's heavily over-banked market. In fact, while office rents and salaries were initially lower in Gothenburg initially lower in Gothenburg than in Stockholm, it did not take long for them to catch up with the capital.

with the capital.

For a group like SKF (in which the Wallenberg family controls 23 per cent of the votes and 10 per cent of the share capital) there have traditionally bear than the per cent of the share capital there have traditionally bear than the period of the capital than the capital tionally been strong ties with Skandinaviska Enskilda Banken (S-K Banken), the Wallen-

"SE Banken has been our bank for many years and when we have issued new shares that is typically handled by them, but it does not mean we are entirely tied to them," claims Mr Jan Essunger, SKF's finance director.

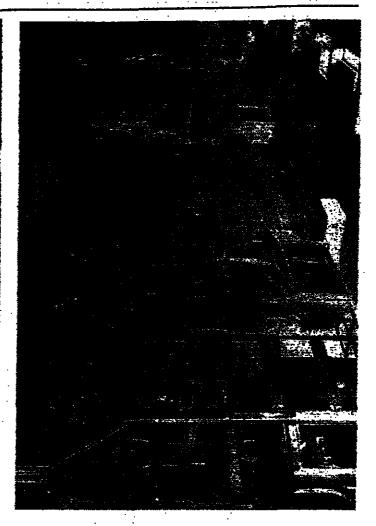
Following the deregulation of Sweden's financial markets during the 1980s, competition between the major banks has increased dramatically and has forced them to become much more aggressive in chasing cor-porate business. For companies have a far wider choice when it comes to borrowing money and can now turn to the money market, finance companies or mortgage institutions instead.

borrowing, placing funds in the money market or dealing in currencies, the companies can afford to be more choosy in selecting the best rates - and SKF claims that it does not always turn to S-E Banken for these services unless the terms offered are very competitive.

S-R Banken has the largest foreign exchange operations in Gothenburg (though not as large as in Stockholm) with about 30 dealers and another 25 people working in back office and administration. As Sweden's largest commercial bank, it has much greater clout when it comes to offering competitive terms.









et of the workers on Volvo's stressful as nde plant are under the age of 38. Torsiands, in the Gothenburg area, is where the car acturer produces its successful 740 and 240 series. But though the company is almost synonymous with burg, there now appears to be widespread resi among skilled young people to working at Volvo. Perhaps the current drive to cut pollution from the plant will do hing to mollily the critics. ☐ All photographs for this survey were taken by Alan Harper.

### **BUSINESS GUIDE**

# Stockholm's rival

enjoys a little healthy rivalry with the capital, and likes to boast that while important decisions may be taken in the government offices in Stockholm, much of the industrial muscle is actually

based in Gothenburg. As in Stockholm, though, members of the husiness fraternity usually speak excellent English and adopt a forthright, informal approach with visitors. Office hours tend to be from 8am-4pm or 9am-5pm, and the Swedes favour short business lunches, usually steering clear

Gothenburg has a wide range of hotels though it can be difficult to book rooms

conferences are on in town. Seafood is the speciality in most of the restaurants and can be very good. The old Fish Church, built in 1873, now houses the fish market and a pleasant restaurant, though there are plenty of good if rather expensive — eating places to choose from.

Winters can be very cold (well below freezing), while summer temperatures are about 17 degrees Centigrad Travelling around Gothenburg is easy on foot, by tram or taxi (taxis can be ordered by

The best way to spend time off in the summer is travelling along the West Coast where there are beautiful beaches

rent a boat and sail along the coast, or go inland along the Gota Canal on a barge. Other outdoor activities include golf and hot air ballooning.

parks and museums, including an Industrial Museum showing the history of Gothenburg's shipyards and engineering concerns. The Art Museum houses the largest collection of work by Scandinavian artists in the region with pieces by Anders Zorn and Carl Larsson, and a sculpture of Poseidon by Carl Milles in the square

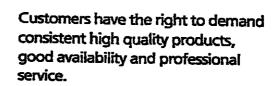
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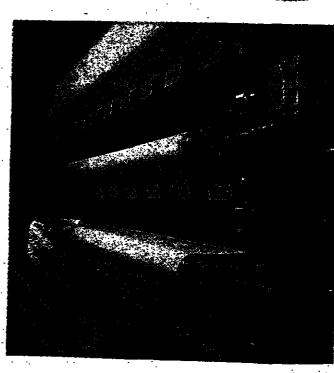
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# FINANCIALTIMES

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Fresh solutions to stale problems

### Repackaged MB starts to box clever



ing group formerly known as Metal Box, has been through a radical restructuring over the past few years. The old fashioned food can, for long its stable product, has been losing out to more sophisticated plas

s. But recently the company has become the subject of bid rumours, and last week a subsidiary of Elders IXL, the diversified Australian group, revealed a sizeable stake in

### Klöckner ripples spread to the Euromarket

Ripples from the disaster at Klockner and Co, the West German company which has suffered heavy losses in forward oil trading, have spread to the Eurocommercial paper market. The company's relatively small paper programme meant that its potential to hurt the market was small, but the response of traders has called into question some of the market's received wisdoms. Page 24-



As corporate leanness and speed have become increasingly important, businesses have been busily stripping back executive layers. Where a manager once communicated with five subordinates, he may now do so with with the suborginates, he may now do so with 15. But Christopher Lorenz, in the Business Column, questions whether it is possible for any manager to communicate effectively with such a large number of people. Leaner does

For more than two decades the Eurobond market has grown trae from any regulatory con-straints. Now, however, the Association of International Bond Dealers, once criticised for being little more than a social club, has taken on itself the Hercolean task of enforcing new UK reporting requirements. Dominique Jack-son reports Page 24

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# NTT sale on line for ringing success

Tony Jackson looks at the feverish pace surrounding the latest tranche of the world's biggest privatisation

the Japanese government of shares in NTT, the tele-communications giant, has been billed as something of a cliffhan-

billed at something of a cliffhanger.

This is stage three of the world's biggest privatisation exercise, and the marketing campaign to the Japanese public and institutions had by last week reached fever pitch. For a while, it was seriously in doubt whether the issue would find takers.

Then, last Friday, with a week to go before the formal close of the offer, the hig four Tokyo brokers announced with a flourish that the shares had been almost wholly subscribed in advance.

This is a striking reminder of the power of the Japanese system. Except for those who got in at the very beginning, NTT has proved a lonsy investment.

The first instalment, last February, was sold at what turned out to be the giveaway price of Y1.5m (\$12,600). Within weeks, the shares had doubled to Y3.2m, but that proved to be the peak.

The second offering, in November, was sold at Y2.55m; and last Wednesday, for the first time since the original flotation, the shares sank below Y2m.

That obviously made selling

That obviously made selling the issue a tough assignment, but the brokers tackled it head on. A mail shot delivered last week to Japanese homes by Yamaichi, one of the big four Tokyo hrokers, gave the flavour of the campaign.

paign.
There are three main reasons,
NTT is said Yamaichi, why NTT is

OStock market theory says that when a share has fallen by 30 per cent from its peak, it is time to

There is an overlang of stock from last year's NTT issue, and there is yet another issue coming up next year. This depresses the stock and makes it a bargain.

ONTT's underlying asset value is put at Yam per share. Nippon Steel's asset value is Yam, and secently the stock touched Yam. It can, therefore, be conservatively assumed that NTT will so tively assumed that NTT will go

It all makes the British Government's privatisation efforts look positively sedate. The argument from Nippon Steel is particularly checky.

The steel sector has been subject to an enormous brokers' ramp this year, and despite the flatness of the Tokyo market, Nippon Steel has more than doubled since January. Cheeky or not, it seems to have worked. The arguments also had

powerful backing, though, in the

itself. The fall below Y2m, the cynic might remark, could scarcely have been better timed. The big brokers are unanimous that at a critical point in the campaign, this was the clincher in convincing the public that the

hares were a bargain. On a longer view, the bargain element is an open question. Viewed through non-Japanese eyes, NTT's fundamentals still look ridiculous. At Y2m, the historic p/e is 117 - more than twice the level for the Tokyo market overall, despite the prospect of belowaverage earnings growth. Even in the Japanese context, a yield of just 0.25 per cent on V2m looks miserable, And above

all, NTT has a basic problem of low profitability. Even on dis-closed equity of Y240,000 per share, the net return is a mere 7.1

per cent.

Darwa, the light strokes to the issue, put the true asset value per share as high as Y4.3m - in which case, the return on assets is prac-tically any-existent.

But from the viewpoint of the Japanese brokers, this is mere carping. NTT is a shining exam-

ple of two of the big themes which the brokers have been pedding around the market da the year since the crash; asset plays, and what the more cyclical pri-

The asset argument falls into

First, property: NTT's land holdings, by one estimate, total \$3.5m square metres, much of it in the heart of Tokyo itself. Despite the sharp fall in property prices since the beginning of the year, this is plainly of immense

share

price

Second, unconsolidated subsidiaries: these may account for as much as a third of NTT's true profits, and the idea is that within three years or so they too will be floated on the stock mar-

The snag lies in the onset of deregulation and competition in the Japanese telecommunications

There is widespread cynicism about how much this will be allowed to affect NTT's main operations, but it may well hit its suppliers - many of which are those same subsidiaries.

The "dream project" argument comes down to the idea that companies in traditional industries steel being the classic example are attractive, because at some point in the future they can use their asset base to transform themselves into something differ-ent.

ent.

NTT is at the leading edge of its technology, and has a formidable research and development programme. The thesis is that in the next decade or so, it will stop being a humdrum telephone comglamorous in the world of information technology.

For the individual Japane

sophisticated.

The fundamental appeal of NTT is that it represents a plece of Japan. If the flotation succeeds, as now seems guarante it will be on that basis and no

# Manufacturing a small measure of good news

By Anthony Harris in Washington

The good, very well. It is at least ten years now since the late Fritz Machlup remarked that for any period of more than five years, including the run up to its then peak, gold was the worst financial investment in the world, "including British government stock", he added, conclusively.

He was writing from the US, before the great lurch up and then down in the international then down in the international value of the dollar. If he was writing today, he might cite US Treasury bonds as his benchmark for a dud international investment; but he would almost certainly still be right. Gold has stood still in dollar terms for some years now, give or take a hit of volatility, so it would be a close race between the metal and close race between the metal and a sackful of greenbacks; but banknotes are cheaper to store.

However, there always seems to be enough risk-averse investors to keep up some sort of demand for gold bars, and this year it seems that a large number of them are in Taiwan.

The Taiwanese have good reason for generalised worry, and their investment preferences would hardly be worth noticing were it not for the fact that their purchases, made almost entirely in the US, have been so large that they have distorted the pattern of US trade. Indeed, that may have been their aim. When the Japanese were under

When the Japanese were unusar heavy American pressure to cut their trade surplus three or four years ago, they mounted a "special import programme" which included large amounts of gold, and it seems likely that the Talwanese government simply fol-

This programme came to an end in June, and the result is that the aggregate figures show that US exports simply stopped growing in midsummer. As a result, the merchandise deficit now looks to be on a rising trend the projected level of exports is simply too weak to cover any import revival. Clean out and import revival. Clean out gold, and the figures look quite a bit

Shipments in the last two months have been well over 5 per cent above the first-half average. This is still nothing like the astonishing growth rate through the first half itself, which was well over 30 per cent at an annual rate - but nobody in their senses imagined that that could last it still looks good enough to reduce the trade deficit, though.

HAT DO you want Nothing there to justify the first, the good news renewed talk among the academor the bad news? ics of the need for a further large

dollar devaluation.

When you get down to the detail, though, the bad news reappears. In the US, as in Britain, the main effect of an over-valued currency was to wipe out manufactured exports. There was a big revival in manufactures in the first half of the year, but only the beginning of what the US surely needs. Exports of manufactures covered only half of the corresponding imports in 1987. In the first half of this year, the coverage was up to 60 per

This simply means that by now exports of manufactures have to grow two thirds again as fast as imports to stop the trade gap from growing, instead of twice as fast; and the really bad news is that exports of manufactures actually have stopped growing.

There are several schools of

thought about this. The devaluationists, led by Mr Bush's friend Professor Martin Feldstein, conricessor martin relistent, con-sider their case proved. However, the industrial economists at the Fed have been pointing to a dif-ferent problem - growing strain on capacity.

If industry really is working flat out, there is nothing to be gained by making the currency cheaper. That argument was underlined last week by a survey of corporate finance controllers, who cited capacity limitation and the overwhelming weight of export orders as their strengest reasons for worrying about infla-

All the same, the Fed seems to be hedging its bets. It appears to have done nothing last week to check the fall in the dollar which resulted from the August trade

n the old days a hands off policy from the Fed probably meant that it had burned its fingers: some of the early efforts to manage the markets were inefctive and expensive. Since January, though, the balance seems to have shifted decisively. The central banks have won in every serious encounter with the dealers, and the markets now walk in slowdown in the pace of wage fear of intervention. The slide could have been checked, and

Is this strategy, or tactics? It could be both. Even those like Professor Richard Cooper - a Dukakis advisor - who reject talk of a further large devaluation concede that the rise in the dollar this summer has been unjustif-



The chance to undo most of the remaining dollar's bounce in two long as the market found its own level rather than developing a dollar panic. Since this appears to have happened last week, the Fed's non-intervention could be described as a property of the control o described as masterly inactivity.

At the same time, there is a persuasive tactical case too. The most striking mark of the Green-span days at the Fed, after the bludgeoming regime of Mr Paul Volcker, has been subtlety. Mr Greenspan is a fascinated student of market psychology and monitors the result of every policy action minute by minute. As a result he has become a master of getting large results from small

e gets his results by making his moves when the market least expects any action at all. Dealers might well expect the Fed to support the dol-lar, and in the Greenspan rule book, that is quite a strong argu-ment for keeping out of the mar-

The Fed is a good deal more open than it used to be, and governors are frequent performers at the academic and business con-

ferences which study the US outlook. It wants its general views to be widely known; but when it comes to day-to-day judgement, the Fed is like any other central bank - it likes to keep them

My own guess about its current views, which will be focused at the next Open Market Committee meeting two weeks from now, is that it is rather less worried than it was a few weeks ago about overheating, because the signs of a slowdown in domestic demand are becoming quite unmistaka-hie. Everything - current sales, consumer confidence, new domestics orders - seems to point the same way.

However, capacity is tight, and so is the local labour market in the boom areas of the economy; and there has so far been no advances. Five to 5.5 per cent would be a wonderful figure in Britain, but here it is a sinister acceleration. Until that figures comes down, and until export growth is achieved through rising volume rather than the rising prices of food commodities, I would expect the Fed to stick to its declared policy and err on the side of caution.

Economics Notebook

# Threat to central bankers' idyll

LAST October's market crash has done nothing but good for the industrial world's central

bankers.
That select group of non-elected officials has notched up one achievement after another in the year since the medin-tate slide in world stock mar-

sively to head off recession by pumping liquidity into their national banking systems, con-founding those commentators who saw the crash as end to capitalism as we know it. With skillful currency inter-

vention in Jameary, they reas-serted the credibility of the Louvre accord, the February 1987 agreement of the G7 lead-1987 agreement of the G7 lending industrial nations to stabiing industrial mations to stablise exchange rates.

Since early summer, central bank efforts to combat inflationary pressures through tightening monetary policy have been rewarded by stable and, in some cases, lower long-term bond rates; a significantial markets are willing to give them at least the benefit of the doubt.

ing to give them at least the benefit of the doubt.

After months of difficult negotiation, the central banks of 11 leading industrial countries agreed in July to set common standards of capital adequacy for international banks, helping to underpin the stability of the world banking system and ensuring fairer com-petitive conditions for the

global banking industry. The central bankers, who are in constant contact by telephone and coordinate their activities at regular monthly meetings in the Bank for Inter-national Settlements in Basel, are pushing into new areas of the alarm bells ringing in

Committee, charged in June by regarded the dollar's strength the European summit in Han- since late summer as an abera-

towards economic and monetary union" in the European centry, is comprised predominantly of central bank povernors.

But all good things come to an end Sure enough, central bankers face more testing times shead. Many European Community central bankers look forward

with trepidation to next spring when the Delors Committee is due to draw up its report. The Hanover summit man date stirs a homet's nest of issues concerning sovereignty

More immediately, last week's news that the US trade deficit in August widened to \$12.18bn from \$9.47bn in July could be an early sign that eco-nomic fundamentals are turn-

ing against the world's monetary authorities. Eor most of this year, foreign exchange markets have been unwilling to challenge the G7's efforts to stabilise currencies because the US current account deficit has been falling sharply from last year's \$154bn

The higher US deficit in August, combined with long held scepticism about the rate of fall in the Japanese and West German surpluses, may show that the current account adjustment has come to a balt, presaging renewed dollar

Alarm bells

Last week's slide in the dollar was not sufficient to start Significantly, the Delors continental monetary officials

close to, if not beyond, its unpublished upper limits of fluctuation under the Louvre

accord. According to one senior European monetary official, the dollar's fall last week means it is now comfortably inside the bands confirmed at the September meeting of G7 finance ministers and central bank governors in West Berlin.

Soft system

The way that the Louvre accord operates helps to explain the calm. It is a "soft" system of limiting exchange rate movements in which the participating central banks accept currency movements beyond the fluctuation margins, if they judge that these are temporary and can be reversed easily at a later date. Such an approach may appear nonchalant. But it has paid off over the past year because financial markets did not expect any progress towards solving the US federal budget deficit - and by extension the current account deficit ahead of next month's presidential election.

This "phoney peace", as one New York currency economist called it last week, may now be drawing to a natural close. Although nobody expects the next US president to produce an instant solution to the nation's budgetary problems, speculative pressure for action could grow on financial markets between the election and next January's manguration.

That could bring the indus-trial world's central bank governors back to reality with a the alarm bells ringing in bump after their hectic year European central banks. Most since the crash They will again have to demonstrate why most of them are paid considerably more than finance minis-

### THIS WEEK

MR NIGEL Lawson, the British Chancellor, will capture the attention of financial markets on Thursday evening with his annual speech at the Mansion House in the City of London.

A robust defence of his economic stewardship is expected as well as a ommitment to continue fighting inflation, but there could also be hints about public spending and borrowing

plans Earlier on Thursday, the Bank of England publishes provisional money supply figures for September showing the strength of UK bank

The consensus of analyst forecasts compiled by MMS International, the financial research company, is for M0 the narrow me 1.5 per cent and for M4, the broad measure including building society deposits, to increase 1.8 per cent. Analysis will scan today's retail sales figures for September for signs that higher interest rates are

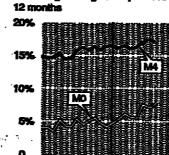
hitting consumer demand. The consensus is for a 0.2 per cent rise after no increase in Two committees of the Organisation of Petroleum Exporting Countries meet in Madrid from Thursday. The price monitoring committee and long-term strategy committee will bring oil ministers from Iran and Iraq

together for face to face

negotiations on oil policy for the first time since the Gulf ceasefire went into effect. In Japan, money supply figures for September, published tomorrow, will be examined for any sign that the authorities' efforts to stem the rate of money supply growth are faltering. The annual rate of increase has been in double figures every month this year. In August, it was 10.9 per cent. The West German Bundesbank's 18-member

central bank council holds its

**Money Supply** Percentage change over previous



monthly meeting on Thursday. Analysis do not expect any change in the rate of interest to be announced.

West German money supply figures for September will almost certainly also be ed on Thursday.

Other statistics (with MMS International consensus in brackets) and events due this week include:

trade, inventories and sales for August. (0.4 per cent rise) Tomorrow: UK public sector borrowing requirement (£500m) Wednesday: US housing starts

and building permits in September (1.45m). Two-year treasury note announcement. French industrial production for July. West German Bundesbank securities repurchase (repos) agreements

Thursday: US 52-week Treasury Bill auction. UK Bank of England figures on institutional investment in three months to June. Cyclical indicators of UK economy in September.

Friday: UK consumers expenditure in three months to September (2.0 per cent rise). Building societies monthly figures for September.

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### INTERNATIONAL CAPITAL MARKETS

**COMMERCIAL PAPER** 

### Klöckner questions received wisdoms

tors.

FALLOUT from the disaster at the first question concerned Klöckner and Co, the West the responsibility of dealers to German trading company each other and the second which has lost as much as DM600m (\$330m) to DM790m in oil trading, has spread even into the Eurocommercial paper market

It has called into question some of the market's received wisdoms, even though the size of the company's programme and thus its direct potential to hurt the \$86bn market are lim-

The decision by Dentsche Bank to stand behind the company now appears to mean that holders of Klöckner's estimated \$60m to \$70m of outstanding Euronotes should get

While there has been no explicit statement to that effect from the German bank, it was solely due to Deutsche Bank's intervention that Standard & Poor's, the US rating agency. downgraded the paper last ner paper? week from A-1 only to A-2, before withdrawing the rating

at the company's request.
This implies a strong belief that there will be no delay in repayment of maturing paper, issued through a 38-bank tender panel under a \$100m Euronote programme arranged

Nevertheless, nothing shakes up a commercial paper market more than the possibility of default. Klöckner's problems come less than a month after the Norwegian authorities were forced to intervene to save a medium-sized Norwegian bank, Sunnmoersbanken, which also had a small Euronote programme.

The effect of both has been to shake-up investors and dealers alike. However, although there were reports of some investors dumping lines of lesser quality and, in particu-lar, corporate paper after last week's developments, there was no significant evidence of a flight to quality in market

Yet, nowhere in the market was there a price for Klöckner paper and questions were raised about the responsibility of dealers in such circum-

STATICES. As several banks complained that Klockner notes were dumped on to their lap by other banks which then cossed to quote a price for the paper,

The ECP Association, the dealer grouping which used to call itself the Euronote Association, has ceased to make the distinction between market-making members and non-market makers. In the new rule book published this month, all members are of equal standing simply because the market has developed along US lines and inter-dealer trading is not regarded as important to guar-

their responsibility to inves-

antee liquidity to investors. What does guarantee liquidity, the conventional market wisdom runs, is the dealers' willingness to quote realistic two-way prices to the investors which have bought paper from them. Yet what was this pledge worth to investors last week as dealers refused to buy Klock-

The ECP Association's posttion is that what happened constituted a change in mate-rial circumstances to the company which gave the dealing banks the right not to take on the paper. In practical terms, this meant dealers simply had to balance the sums involved against their relationship with the investing institution. Nevertheless, the association is now aware that its rules are in need of more precision.

More significantly, perhaps, some investors are questioning the value of a credit rating What use is an A-1 credit rat-ing, which is nearly as good as you can get, if companies which quality for it start going helly-up? There are those who wonder whether the rating agencies haven't been pushed too hard as the solution to the market's credit worries. Yet, if investors are forced to do their own credit analysis, the continued growth of the market, which many people still take for granted, may be in jeop-

In its own defence, S&P says rating agencies cannot be omniscient and there is always what it calls "event risk. While the agency studied Klöckner's trading rules, it could not possibly legislate for unauthorised dealings.

Stephen Fidler

INTERNATIONAL BONDS

# Regulators' net begins to tighten around Eurobonds

THE HERCULEAN task of enforcing new reporting requirements formulated by UK regulators on to a traditionally free-wheeling Euro-bond market has fallen to the Association of International

Bond Dealers. For more than two decades the Eurobond market has developed and grown, free from any regulatory constraints and it appears that several of the association's UK-based members are still holding back from making the essential in-house system adjustments needed to make the reporting feasible.

However, at a meeting last week, the AIBD, which has been criticised in the past for being little more than a glorified social club, made it clear that it is taking its recently acquired responsibilities as active overseer and gnardian of the market's interests extremely seriously.

The regulators' net is finally tightening around the Euro-bond market – from April 3 next year, all UK-based AiBi) members will have to report all transactions in international securities to the association. All existing AIBO reporting dealers and interdealer brokers will have to do so from January 3, 1989. These extended reg-ulations stem from the mar-

ket's new obligations as a self-regulatory Designated Investment Exchange under the UK Financial Services Act. In electing to become a des ignated exchange, the AIBD took a pragmatic if inevitable step to reconcile several conflicting pressures which were in danger at one stage a few years ago of splintering the

Designation was one way to maintain the market's traditional independence and secure a few concessions from the regulators at the same time.

However, the move failed to find favour with many non-UK based members who saw it as a tiresome and costly concer designed for the convenience of the UK-based members who comprise only 25 per cent of total membership. The board was thus faced with a peculiar geographical paradox, for these 200 or so members generate around 70 per cent of total

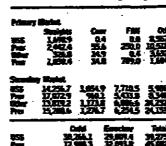
market tumove Designation finally gained acceptance when non-UK based houses realised that UK moves towards tighter supervision and increased investor protection were the beginning of a European and global wave which would be bound to reach their home markets scorer or

strong - but not always artic-plated - opposition remains to TRAX, the AIBD's planned computerised trade matching and risk management system

to which member firms must subscribe to comply with the reporting requirem

Mr David Walker, chairman of the UK Securities and investment Board, told UK members lest week there was

EUROMARKET TURNOYER (\$m)



Nineteen member firms, including Credit Suisse First Boston, Morgan Stanley International, IBJ international and Salomon Brothers Interna-tional, have undertaken to participate in the TRAX pilot scheme which will run until the full system comes into

introduced.

Many members are thought

to have been awaiting the reachinion of the row between the AIED and the clearers before going ahead with the practical

arrangements to set up TRAX in time to comply with the new reporting regulations next

force in January. However, of those 19, less than half are so far connected live to the system and Mr Arthur Schmiegelow, AIBD chairman, said last week there were worrying signs that many

no question of awaiting such a development before mandatory use of the TRAX system was introduced.

The AIBD board has no

wish to become a regulator and impose unwanted restrictions on what has always been an on what has always been an extremely well functioning market," Mr Schmiegelow told an unusually well-sitemed and an unusually quiet gathering of bond dealers last week.

But he added that the board

would have no compunction in dealing promptly with firms that failed to comply, without a sufficiently good reason for their failure, under a new set of disciplinary guidelines — an admonition which would have surprised much of the member-ship only a few years are and a ship only a few years ago and a sign perhaps that the organisa-tion is finally flexing its mus-cle which has been sailly underused since the market's

inception. Dominique Jackson

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**US MONEY AND CREDIT** 

# Forecasters get pat on the back from invisible hand

FOR ONCE, the market actually got it right. The fall of a mere 4 point in the long bond on Thursday was like a pat on the back from the invisible hand of market forces for all the perspicacions investors who had so accurately anticipated the "worse than expected" figures on US trade.

The bond market's sing

froid, in contrast to the fever-ish activity in the foreign exchanges, may have provided further evidence of the bond investors' superior of the bond investors' superior forecasting powers. It may on the other hand, have indicated a blindness to bad news which sugares badly for bond prices in the medium term.

The market seemed so impressed with the ability to bond the seemed so impressed with the ability to ability to ability to ability to a seemed.

impressed with its ability to guess the figures a day early that nobody seemed too worried about what a return to \$12bn-plus deficits meant to the US economy. Instead, the market saw the trade figures as an opportunity for self-con-gratulation. Not only had investors kept their compo-

By Haig Simonian in Frankfurt

DEUTSCHE BANK, West Germany's biggest hank, has hired a team of four interna-

tional equity traders for Deut-sche Bank Capital Markets in London as part of its continu-

ing strategy of cautious expan-sion in leading international

The four traders, three of

whom are from Merrill Lynch in London and one from Mer-

securities markets.

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sure, but they had resisted the strong temptation to take prof-its after the big rally the previ-

By Friday, the market had decided it could live with the unambiguously bad trade fig-ures and was looking for rea-sons to rally in the ambiguously good reports on industrial production, producer prices and retail sales. With sales and production both coming out weaker than expected, the 0.4 per cent rise in the producer price index did not seem at all disquieting. In general, if was becoming easier general, it was becoming easier to helieve that the long-awaited soft landing of the US economy was finally at hand.

A lunge amount of faith, hope and money is now riding on the soft landing scenario. As Smith Review was it in fin let.

Smith Barney put it in its latest weekly comment: "Recent

conversations with portfolio managers have led us to believe that there are many more closet bulls in the fixed-

income market than we originally thought. Ultimately,

Deutsche Bank expands equity

rill Lynch in New York, will

join next month to expand DBCM's embryonic interna-

tional equity trading operation.

the new staff have not been hired to trade German equities. DBCM has had a group of four

making markets in German

shares and warrants for almost

a year. Though not yet dis-played, its future plans include

DOCF 7% PA....

FT/AIBD INTERNATIONAL BOND SERVICE

Contrary to other reports,

when the economy sends sig-nals that it is time to buy bonds, the avalanche of cash into the long end could be

"In our opinion, we're not yet there, but we are getting closer," adds Smith Barney, displaying the impatient optimism which investors are finding it increasingly hard to repress. But how will investors recognise this promised land when Mr Alan Greenspan finally leads them there? The general view appears to be that moderately slower GNP growth, perhaps around 2 percent annually, accompanied by stable unemployment and

capacity utilisation, would be the key features required to satisfy the inflation-fighters at the Federal Reserve Board and create the conditions for a major bull market in bonds. This view, however, may well be over-optimistic. For bond yields to fall below the trading range of 8.5 to 9.5 per cent in which they have been stuck for most of the last year,

making markets in German

shares in London on the stock exchange's SEAQ price quota-

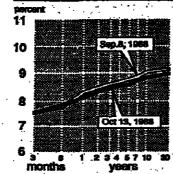
Staff at the hank's Frankfurt

headquarters were unable to give further details of plans for

international equity trading at DBCM beyond saying that fur-ther information would follow

However, it is believed that

US Treasury yields



at least three further conditions will have to be satisfied within the foreseeable future: inflation will have to start declining, instead of merely stabilising; the US current account deficit will have to continue moving steadily downwards; and the downside risk of the dollar will have to be eliminated or at least be eliminated or at least

the new team will bolster

equity trading and placement in general at DBCM, which is fairly limited at present. Mr Barthold von Ribbentrop.

the bank's Frankfurt-based

executive vice president in charge of securities trading, also confirmed last week that

the bank was planning to go

into the UK gilts market in due

greatly reduced.

This week's developments served as a further reminder that a mere slowdown in economic growth may not be sufficient for all these objectives to be achieved. Not only did the trade deficits appear to be stuck on a plateau, but also the producer price index showed underlying inflation, excluding the volatile food and energy

components, rising by an unsettling 0.6 per cent.

And meanwhile, the action in the currency markets, where the dollar gave back four months' gains in less than four days, drew attention to the third horn of the bond market's trilemma: if and when interest rates do start to fall significantly, as they did on Friday last week, the dollar's precarious stability is threat-

In the end, all the preconditions for a major bull market in bonds are going to be satis-fied. But first the US economy may have to move irrevocably towards recession. And secondly the dollar may have to fall to a point where it is significantly undervalued, not only on purchasing power parity calculations, but also in terms of the competitiveness of

trade. Neither devaluation nor economic weakness will be sufficient on its own to justify bond

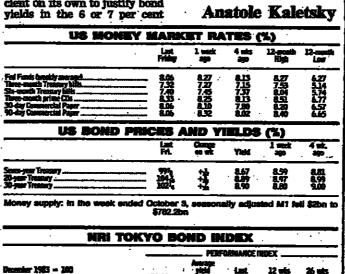
drastically lower domestic demand will only stoke up inflation. An economic slowdown which is not accompanied by a devaluation will only point to better investment opportunities in foreign cur-

As Mr David Hale of Kemper Financial Services observed even before the latest fall in the dollar: "Since the US economy is now export-led, any further evidence of weakness in output growth is likely to drive the dollar lower.

"With long-term bonds in Japan and Germany offering yields of 5 per cent and 6.8 per cent respectively, it will take only modest currency gains to produce total returns superior to those likely to be available from American bonds now yielding below 9 per cent and vulnerable to bad news about oil, the budget and trade, not just inflation and output

growth."
Of course, Mr Greenspan and the probable next President, George Bush, could yet fulfil the hopes of New Age dream-ers in the bond market by finding a way to close the trade deficit and simultaneously break the trend of inflation. without accepting a recession if they did, it would be an his

toric first.



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**UK GILTS** 

### Man of action set to tackle savings

MR NIGEL LAWSON, the Chancellor, is fond of asking to UK gilts yields be judged by action not words. This is appropriate because the distinction between the two is

His rousing speech to the Tory party conference last 10.0 Thursday was mostly words the market has heard before, but he slipped in one "action" 9.5 of more than casual interest to the gilt-edged securities mar-

The Chancellor amounced a new issue of National Savings, a "unique new Capital Bond," the first new instrument for three years, says the Treasury. Having rejected credit controls and higher taxes, indeed any action save the manipulation of short-term interest rates, Mr Lawson has decided the Gov-ernment has an interventionist role in encouraging people to

The implications of this new issue of National Savings are clear. The Treasury is not wholly convinced that interest rates alone will be sufficient to curb consumers' expenditure and thereby slow the rate of growth of domestic demand; and, it remains concerned about the low level of personal savings in Britain. It may also be attempting to divert savings from building societies and banks to the Government.

Without a change to the funding rule — that is, sales and/or purchases of gilts made to neutralise the effects of the Government's fiscal position on the money supply - the introduction of this new savings instrument raises the intriguing possibility that the Government will borrow from the personal sector only to recycle it to institutional investors through the Bank of

Ringland buying gilts.

With the Capital Bond's release slated for the New Year (and the peak of the corporate tax paying season) the likeli-hood of a greater money market squeeze than otherwise would occur is heightened, as is some form of a more public or structured gilt purchasing operation by the Bank. Every record the Transpure reions pound the Treasury raises through National Savings has to be put back into the banking system through the Bank buy-

ing gilts.
Depending on how the Treasury structures the Capital Bond, and it may not make it as attractive as the initial PR

Related as par (%) Oct 7,1968 Oct 14,1988

suggested it might, then there may also be other consequences for the market. As Mr Glenn Davies, of CL-Alexan-ders Laing & Cruickshank, points out, the personal sector now owns around 10 per cent of the gilts market (£13.5bn) and it is possible that, if the terms of the new bond are attractive, a relative portfolio shift may occur between con-ventional gilts and the new five-year Capital Bond. If there is a large switch then stock

will be released.
In light of the trend in the public finances and this new personal sector savings instru-ment, the Chancellor's speech at the Mansion House this Thursday is being seen as important to the gilts market.

The market hopes something will be said on funding and more specifically whether there will be a change announced to the policy of fully funding the public sector contribution to monetary growth. Although things can change, the private official view is "don't hold your breath."

Similarly, a change to the funding rule along the lines of last year's change to the rule on funding currency intervention seems unlikely. The latter was expedience; there was a possibility that the funding rule may not be met because of the unusually high level of intervention to cap the pound.

The trend on the public finances is not a "one-off" phe-nomena; it is likely to continue in to next financial year and possibly beyond. To change the funding rule would not, therefore achieve anything.

**Simon Holberton** 

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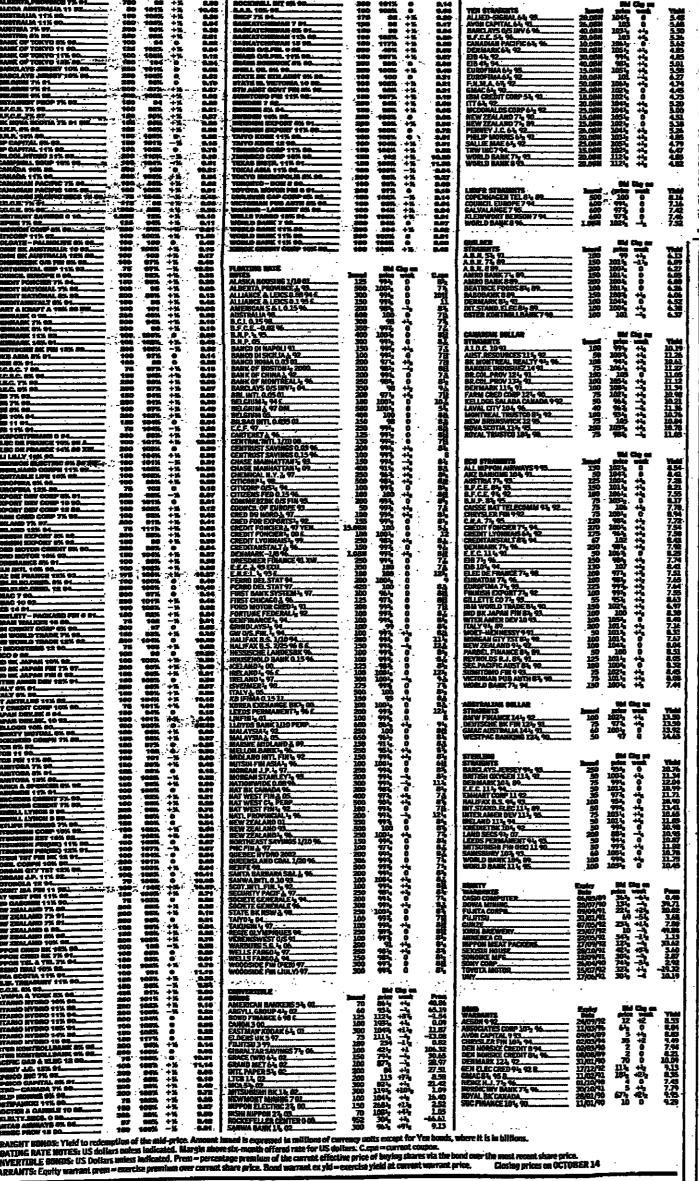
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September 1988



### INTERNATIONAL CAPITAL MARKETS AND COMPANIES

### Arthur Andersen reviews structure

By Richard Waters

ARTHUR ANDERSEN, the world's largest management consultancy and second biggest accounting firm, is poised to launch its consultancy arm under a separate name in a move that coincides with a high-level review which may lead to the separation of the firm's two core business

One option would be to float the consultancy practice, which is estimated to be worth more than \$3bn. This would net AA's 2,100 partners around the world more than \$1m each

But AA says it will take no decisions on such a move until early next year, when a high-level review of the future of the business has been com-

AA's consulting business which had a turnover of \$1.1bn in the year to the end of August, is to be renamed Andersen Consulting.

This change reflects the group's determination to distinguish its consultancy business from the audit, tax and other businesses

Chicago-based AA said yesterday that the name change is not connected with the review

of AA's future. Senior consultants at the firm question whether the group is able to finance its future growth as a partnership. Its strong base in the rapidly-growing information technology market brings it into direct competition with the likes of General Motors (through its subsidiary EDS) and IBM. Mr Vernon Ellis, head of con-

sultancy in the UK, said: "It will take large resources, and large financial muscle, to keep a stake in the IT market." Rifts appeared in AA's US business earlier this year when Mr Gresham Brebach, head of the US consultancy arm, was sacked after disagreements with his accountant superiors.

Mr Brebach said last week: The strategy was to keep the audit practice as the core of

His inability to gain sufficient say over the strategic direction of the firm or the distribution of profits between accounting and consulting partners led to his departure.

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# Compaq launches laptop personal computer family

COMPAQ COMPUTER, the Houston-based company which is the world leader in portable computers, will today launch its eagerly-awaited family of battery-powered or "laptop" personal computers.

It will announce in New York a 14lb machine costing under \$4,000, small enough to be operated on an aircraft tray table yet with all the capabilities of a full-sized, IBM-compatible, desktop computer.
In particular, the display

screen uses advanced liquid crystal technology developed in Japan, giving a black and white image as sharp as the most powerful desktop

It can be used for over three hours on a single battery charge. Mr Rod Canion, Com-paq's president and chief executive officer, describes the new

computer as "truly the ulti-mate in full-function laptop computing." It is expected to find a market among travelling executives, salespeople, accountants, auditors and field

service engineers.
Compaq, only six years old, has been a phenomenal success even by the meteoric standards of the personal computer industry. It reached \$1bn revenues in a record five years, recording \$1.2bn in 1987. This year revenues are expected to grow 50 per cent to \$1.8bn. It dominates the market for

mains-powered portable com-puters and has the lion's share of the market for personal computers using the advanced Intel 80386 microprocessor chip, positions from which even International Business Machines, the dominant force in personal computing worldwide, has been so far been unable to dislodge it.

Its move into laptop comput-

ing is given special signifi-cance by its well-publicised declaration that it would not launch a battery-powered machine until it was convinced the technology was adequate to provide all the functions customers expect on a desktop, mains powered computer.

The new machine, the SLT/ 286, features a number of tech-nological breakthroughs including power-saving tech-

niques. Laptops have been growing in popularity and the market is valued in the US at around \$1bn this year. Mr Canion believes, however, that the laptop market will never amount to more than about 10 per cent of the overall personal com-

# Klöckner loss due to defaulters

By Our Financial Staff

KLOCKNER & CO, the West German trading group, said the losses it revealed last week from oil forward contracts were largely due to defaults by

other oil traders. Mr Peter Ludwig, supervi-sory board chairman, said after a six-hour extraordinary meeting at the weekend that a large part of the losses resulted from the concern that "certain part-ners in the crude oil business could not punctually honour their payment obligations." He gave no details. He added

that a smaller part of the losses came from own account

trading and the extent of these losses was dependent on the future development of oil prices. "These risks (from own-account trading) are under control," he said, adding that these losses would burden the company less than origi-nally estimated.

He declined to give details of the group's oil forward contracts or further consequences arising from the losses. But he "well-founded hopes" that the trading group's losses from oil dealing would be lower than the DM600m (\$330m) to

DM700m originally feared. Mr Ludwig said that in the first eight months of 1988 the worldwide operating profit from the group's other business sectors had more than doubled from 1987 levels. He declined to give details.

Mr Horst Schmidt, deputy supervisory board chairman and works council representa-tive, said Deutsche's rescue plan for Klöckner did not indicate that the group's structure would be changed or result in any widespread job losses. Deutsche has yet to give

### Cros ERT link-up to clear final hurdle

By Peter Bruce in Madrid

THE FINAL obstacle to the creation of Spain's largest chemicals group is likely to be removed today when a meeting of shareholders of Gros, the Catalan fertiliser group, gives the go-shead to a merger with Union Explosivos Rio Tinto (ERT). ERT shareholders approved the merger

The new group, to be given the rather awkward name of l Ercros, will be largely controlled by Torras Hostench, the paper group which is con-trolled by the Kuwait Invest-

ment Office (KIO).

Torras won control of ERT earlier this year after a hitter fight with its former management, and will own 85 per cent of Ercros equity. The rest is likely to be floated on the Spanish stock markets soon. Mr Francisco Godia, who will be the new president of gains tax.

the group, confirmed that no had yet been finalised and hinted that it was possible that Ercros would seek other industrial partners. The group has a combined turnover of some Pta300bn (\$2.5bn) a year.

The Government, which approves of the merger, seems set to allow Kruros to revalue some its assets free of capital

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### **BAII** close to sale of stake in subsidiary

By David Lascelles. Banking Editor

BAII, the Arab-controlled consortium bank, is close to agreeing the sale of 48 per cent of Sheppards, its London stockbroking subsidiary, to

stockbroking subsidiary, to the firm's management.
The proposed sale follows a period when Sheppards' for-tunes have been hit by sing-gish securities markets.
BAH, which bought Shep-pards before the 1986 Big Bang, has also lost some of its enthusiasm for the equities business due to its high costs and particular management

and particular management The decision to reduce the bank's holding was made at the beginning of this year when mutual distillusionment

with the relationship set in. However, BAH is stressing that, unlike some other banks which have withdrawn completely from equities or dis-membered their stockbroking businesses in the wake of last year's market crash, it is preserving an ownership interest.

The transaction comes at a time when the Paris-based RAII is rearranging its London operations to make more efficient use of its capital. The bank is transferring its

London business out of its UK subaldiary, BAII pic, to a newly-authorised branch of the Paris parent.
This will link the operation

more closely to Paris and permit it to expand its lending activities, particularly trade finance, by drawing on the parent's balance sheet. The bank also stresses that

its other major activities, merchant banking, capital mar-kets and real estate, are being

Correction Solvav

family holders.

THE SOLVAY Group asks us to point out that it is not

owned by the Janssen family but by the Solvay family and dependents of the other origi-Even before last week's new issue of bonds with warrants. more than 50 per cent of the

capital was owned by these

# Alcoa's profits double as strong demand continues

ALUMINUM COMPANY of America, the world's largest aluminium producer, more than doubled third-quarter net profits from \$109m or \$1.24 a share to \$226.3m or \$2.56, reflecting continuing strong

demand and prices. Mr Paul O'Neill, chairman and chief executive, said orders and industry inventory levels suggested continuation of the current level of business activity for at least six more

The earnings advance comes despite higher costs, due to dearer raw materials, maintenance shutdowns, and a tempo-rary closure of Alcoa's alumina refinery in Jamaica after Hur-ricane Gilbert. The US drought this summer also raised power costs at several smelters.

The latest figures also reflect a \$99m charge for a new profit-sharing plan for US salaried employees. Mr O'Neill called this "the most significant compensation change in Alcoa's modern history. We still hope to reach an agreement on profit-sharing with the major

unions representing most of the bargaining unit employees in Alcoa's US aluminium

operations." Alcoa's results coincided with the start of a two-week tour of the company's 15 Euro-pean facilities by Mr O'Nelll, who last June became the first who last June became the first outsider to be appointed to the top job at Alcoa. He had previously been president of International Paper, and from 1974 to 1977 was director of the US Government's Office of Management and Budget.

Speaking in London on Fri-day, Mr O'Nelll said Alcoa intended to raise the percentage of total sales derived in Europe from the current 8 per cent, in recognition of Europe's importance to the company's

global strategy.
The company could look forward to real annual rates of growth of 2 per cent for sales in Europe, he said. "That's not a PC (personal computer) rate of growth, but not bad for our type of business." At the same time, he saw a continuing reduction of pro-

tended to fall since June.

The company argued that

rising prices had had a "suc-

cessive effect on cost levels" in

Avesta over the past eight

Higher raw material prices, it explained, had raised the

value of the group's invento-ries, which it estimated accounted for SKr250m of the

profit figure for the first eight

months of the year. The board also decided to

strengthen Avesta's competi-

tive position by approving a SKr94m investment programme, which will enable it to concentrate still more on

fewer production facilities as

Avesta is being investigated

by the European Commission for alleged breezhes of rules

covering restraints on competi-

well as increase capacity

duction capacity in Europe and the US, and believed that no new capacity would ever be built in the US because of high power costs. Conversely, Aicoa was "very interested" in mov-ing into Venezuela, via a joint venture or similar cooperative venture, because of lower power costs and availability of

Mr O'Neill said Alcoa had reduced its cost structure to achieve a 10 per cent return on equity even in poor market conditions. But it needed to boost the return above 20 per cent if it wished to achieve 15 per cent on a "trendline basis." The annualised return for the first nine months of 1988 was 20.1 per cent, against just 5.3 per cent for 1987.

Alcoa's nine-month profits were \$642.7m or \$7.27 a share, against \$67.3m or 75 cents a year earlier when there were charges and writedowns of \$166m. Revenues in the 1988 period jumped 25 per cent from \$5.7bm to \$7.1bm, and shipments of aluminium products were up 11 per cent to 1.83m tons.

### Avesta earnings surge ahead on improved sales

By Robert Taylor in Stockholm

AVESTA, the Swedish the "healthy demand for stainstainless steel manufacturer, trebled its profits in the first eight months of the year, with earnings after financial items surging to SKr635m (\$102m) from SKr204m for the same period last year.

The group's sales also showed a substantial improvement, up from SKr3.82bn to SKr4.73bn. The company, a subsidiary of Nordstjernan, Sweden's largest privately-owned enterprise, said it expected to make a profit for the whole of 1988 exceeding SKr350m, compared with SKr390m for last year.

The 1966 return on capital at Avesta is estimated to be 31 per cost compared with 18 per cent last year.

Avesta said there was "firm demand in all markets" for the company's products. Exceptionally large increases in the price of nickel and chromium on Western markets was due to

by costs of acquisitions less steel products," but it added that nickel prices had. By Our Stockholm

MoDo hit

Correspondent MODO, the Swedish pulp and paper conglomerate, reports profits of SKr769m (\$122m) for the first eight months of 1968 after financial items, against

SKrilibn a year earlier.

The drop reflects the cost of the purchase earlier this year of lagesund, MoDo's paper affiiiate, and Holmen, Europe's

leading newsprint producer.

Mr Bernt Lor, MoDo's chief
executive, said the decline was
due to interest charges on the acquisitions as well as the cost of outstanding dollar loans. But he added that the results were in line with expectations and said that the company was

well on course to improve its overall profits position for 1988. Sales figures for the group, including Iggesand and Hol-men, showed a 19 per cent improvement from SKr10.69bn

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September 1988

### **UK COMPANY NEWS**

# Developing a European branch network

David Lascelles takes a look at NatWest's planned strategy for 1992

ATIONAL WESTMIN-STER Bank, the UK's largest clearer, intends to approach the unified European market by means of joint ventures with partners in selected countries, rather than

trying to go it alone.

The bank's strategy for 1992, the year when the EC single market is due to be completed, will also lay its main emphasis on retail hanking, and the development of a European This was disclosed by Mr

John Tugwell, the general manager for business develop ment who is due to take over as chief executive for international businesses at the begin-

ning of next year.
Mr Tugwell said in an interview that the bank had already had a good experience of joint ventures in Europe and had decided that this was the best way to penetrate foreign mar-kets and gain acceptance for ners need not necessarily be

banks, he said. They could be other financial institutions like insurance communies, or even Germany and northern Italy, telephone companies with long "I don't see how a bank is

going to sell broad scale prod-ucts unless it gets into distribution arrangements with a partner," he said. "We need to have skilful local managehe said. "We need to

The emphasis would be on retail banking "because that's what we're good at." He cited personal and commercial landing, trades finance and mortages at the entry of renducts. gages as the sorts of products which NatWest would want to

The countries where Nat-

in that order of importance. Mr Tugwell said it was particuly important for NatWest to he strong in France because of its leading position in Europe and its growing links with the UK through the Eurotunnel. NatWest recently bought six branches there, and has identi-

fied three possible banking

NatWest already has a flouring joint venture in Spain with the March group, and a smaller one in Italy with Cre-dito Italiano. He said Germany would be more difficult to penetrate because of the high level of regionalisation and low profit potential of the German banking system. "We're trying to identify German banks we can work with," he said. Mr Tugwell said he did not see any bank becoming "pan European" because the huge demands in terms of products,

nels. He also believed a bank of tits profits are non-starling. The NatWest's size could encounter monopoly problems if it sought to dominate the continent through alliances with the largest banks of other coun-



NatWest's 1992 strategy is being formulated by a team of eight people consisting of strat-egists, liguists and economists. It also includes measures to protect the home market from increased foreign competition. The 1992 strategy forms part of NatWest's broader drive to increase the size of its foreign business. At the moment half of its assets are denominated in currencies other than ster-

edly from that adopted by Bar-clays, the UK's other leading clearer. Barclays intends to pursue a single-handed strat-egy in countries where it has ady establishe presence. Much of its effort will be concentrated on Barclaycard, its credit card sys-

This option was not open to NatWest which shares its credit card operation with two ling, but only 10-15 per cent of other clearers

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through its Colin Booth subsidiary, acquiring Holmes Trans-

port (Spworth), road haulier. Consideration is to be partly satisfied by the issue of 34,292

new ordinary and a deferred £100,000 payable over the years to 1998. Holmes made pre-tax profits of £89,761 in 1967 and its

wintering and rubber crop slightly below expectations. Oil

palm crop, however, substan-

tially in excess of estimates. SMALLBONE: offers by Wil-

liams declared uncondition with acceptances having been received in respect of 5.58m (96.9 per cent) ordinary and 3m

(97 per cent) of the convertible

preference. Elections for the loan note alternative been

made in repect of 28.6 per cent of the ordinary and 1 per cent of the preference. TARMAC bought a further

35,000 (0.06 per cent) Ruberoid shares at 260p on October 13.

Tarmac now owns or has irrev-

ocable undertakings in respect

Midland Bank plc

Credit Agricole

Creditanstalt-Bankverein

Saudi International Bank-

AL-BANK AL-SANDI AL-ALANI (PRITTE)

Drescher Bank Aktiengesellschaft

of 21.15 per cent.

aim is to raise the foreign por-tion of income to 40 per cent by

1993, of which 15 per cent would be from Europe. NatWest's 1992 plans have

not altered its ambitions to expand in North America

where it is currently looking for a third bank to add to those its has already bought in New York and New Jersey. Mr Tugwell said three banks had been

identified, all in the north east-

The European strategy pro-posed by NatWest differs mark-

### ment complies with the requirements of the Council of The Stock line of the United Kingdom and the Republic of Ireland Lindted.



### TSB Group plc

(Incorporated in Scotland under the Companies Act 1985 with limited liability)

Placing of

£100,000,000

at £99.313 per cent. payable in full on acceptance

10% per cent. Subordinated Loan Stock 2008

Underwriter and arranger of the Placing and listing sponsor

S.G. Warburg Securities

Advisers to TSB Group pic -

Hill Samuel & Co. Limited

Application has been made to the Council of The Stock Exchange in London for the Stock to be admined to the Official List.

The gross redemption yield of the Stock is 10.709 per cent, interest will be payable half yearly in arrear on 21st April and 21st October. Particulars of the Stock are available in the statistical services of Extel Financial Limited. Copies of the Listing Particulars may be obtained during normal business hours on any weekday, Saturdays and public holidays excepted, up to and including 19th October, 1988 from the Company Announcements Office of The Stock Exchange and up to and including 31st October, 1988 from :—

TSB Group pic, et. 25 Milk Street, 16 Hope Street, Charlotte Square London EC2V8LU.

Hill Samuel Registrars Limited, 6 Greencoat Place, London SWIP IPL

27th October, 1988

### Honeysuckle nears £2m but sounds a warning

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Turnover of the Leeds-based ladies fashion group, which is quoted on the USM, pushed head from £11.99m to £16.77m, and from earnings of 14p (10.6p) shareholders are to receive a total dividend of 5.6p via a recommended final of

Mr Serr said the 1987 winter range had been highly successful but warned that although the 1968 range had been well

MR DAVID Serr, chairman of Honeysuckle Group, reported a 56 per cent improvement in profits to £1.96m pre-tax for the year ended May 31 1988. opment costs, was likely to result in first half profits being

less than last year's £1.67m. However, Honeysuckle was continuing to seek profitable opportunities to enlarge its share of the market.

Mr Serr started the company from a market stall in Sheffield some 16 years ago with his wife Linds, the managing director. High Street customers include Etam, Makro, C&A and

### COMPANY NEWS IN BRIEF POWELL DUFFRYN is to pur-

BILLINGSGATE of Billingsgate's cumulative

experience and delivery chan-

FIRST TECHNOLOGY's recent

FLEMING JAPANESE Investment Trust saw not asset value of 247.8p at the end of September 1983, against 255.7p a year earlier. Earnings per share for year to September 30 were 0.72p (0.17p). Proposed single final dividend of 0.7p (0.2p).

JITRA RUBBER Flantations, subsidiary of Rows Evans from fixed asset investments almost doubled at £42,319 (£21,303). Earnings per 10p stock unit were 0.14p (0.03p).

METROPOLITAN has puration of £1.08m.

MONUMENT OIL and Gas: pre-tax loss of £36,000 in the half-yearto June 30, against a £3,000 profit previously. Turn-over £2,000 (£4,000). Gross loss £3,000 (£4,000 loss) and losses

### assets amount to 5223,622. SINGAPORE PARA Rubber & Company Estates: Turnover £440.629 (£296,222) and pre-tax profits £211,907 (£62,656) for six months to June 30. Earnings U.S. \$100,000,000 Floating Rate Subordinated Notes per 5p share 1.05p (0.36p). Company said wet weather earlier in year resulted in incomplete

due July 1997 ce with the

Wells Fargo

Edinburgh EH2 4DD.

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 17th Catober, 1988 to 17th James y, 1989 the Notes will carry an Interest Rate of 8% of per amount.

Enterest payable on the relevant interest payment date 17th January, 1989 will amount to US\$228.40 per US\$10,000 Note and US\$1,142.01 per US\$30,000 Note.

Agent Bank: Morgan Gusranty Treat Company of New York Loadon



The Kingdom of Belgium £100,000,000

Floating Rate Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that for the interest Period from 13th October 1988 to 13th January 1989 the Notes will bear a Rate of interest of 12.125% per annum. The Interest Amount psyable on 13th Jar 1989 will be \$3,056.16 per \$100,000 Note.

> COUNTY NATWEST Agent Bank

# Swire Pacific Limited

Interim dividends for 1988 Scrip Dividends

The average closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited for the five trading days up to and including 14th October 1988 were:

. ....2.085

In a letter to shareholders from the Chairman dated 5th September 1988, it was amounced that the directors had declared interim dividends on 29th August 1988 in respect of the year ending 31st December 1988 of 23.0¢ per 'A' sha per 'B' share and that the directors had resolved that, as to 22.0s per 'A' share and 4.4s per 'B' share, these dividends should take the form of scrip dividends to be satisfied by the issue of shareholders should be able to elect to receive these dividends in cash in respect of all or part of their shareholdings, and as to 1.04 per 'A' share and 0.24 per 'B' share these dividends would be paid in cash to ensure that the shares of the Company continue to be Authorised Investments for the purposes of the Trustee Ordinance (Cap. 29, Laws of Hong Kong). It was further announced that entitlements to fractional shares would be regarded and the benefit thereof would accrue to the

Applying the average closing prices noted above, the number of new shares which shareholders will receive in respect of their existing sheres on the record date of 30th September 1988, for which elections to receive cash are not deposited with the Registrars in Hong Kong or with the Registrars' Agents in the United Kingdom by 24th October 1988 will be calculated as

Number of new 'A' sheres to be received	-	Number of existing 'A' shares	×	0.22 17.800
For '8' shares: Number of new '8' shares to be received	•	Number of existing 'B' shares	×	3.085
21.11				

and will be rounded down to the nearest whole number of new shares, fractional entitlements being disregarded. The new shares will rank peri passu with the edeting shares of the Company except that they will not rank for the interim dividends in respect of the year ending 31st December 1988.

Certificens for the new 'A' and 'B' shares in respect of the scrip dividends, together with the dividend warrants in connection with the cash dividends of 1.0¢ per 'A' share and 0.2¢ per 'B' share, will be despatched to sha Stat October 1988.

> By order of the Board JOHN SWIRE & SONS (H.K.) LIMITED

Hong Kong 17th October 1988

Swire Pacific Limited
The Swire Group
Swire House, Hong Kong.

### CROFTVALE PLC

has acquired the controlling interest in five subsidiaries of Helical Bar plc.

The companies will trade under the following names:

Croftvale (B.H.) Limited ... Croftvale (B.H.) Investments Limited Croftvale Developments Limited Croftvale Residential Limited Croftvale Woking Limited

This transaction has been funded by HFC Bank plc

CROFTVALE PLC 22 Bruton Place, London W1X 7AB 01-629 0113

### chase Bath-based Hygate Gears, a profitable private company with net assets of 22.5m. The company specialises in the manufacture of high quality

Securities: Erlanger Commercial has acceptances for or has acquired 15.89m (61.6 per cent)

preference shares.

BOOKEE's 49 per cent-owned
US associate, P Leiner Nutritional Products, is buying
Freshlabs, Michigan-based
maker of vitamin and dietary supplements, with annual sales of about \$120m.

rights issue was taken up in respect of 4.59m new ordinary shares (96.37 per cent). Balance sold in market at a 25p premium, net proceeds (less expenses) to be distributed to shareholders.

subsidiary of Rowe Evans Investments: pre-tax profit of \$21,557 (£5,283) after income

chased the Callendar Centre, a 100,000 sq ft shopping centre in Falkirk, Scotland, for £2.5m. Current annual net income from occupational tenants is over \$230,000. Group has also acquired two new buildings in Edinburgh for a total consider-

per share 0.08p (earnings 0.01p). Company quoted on the USM.

PADANG SENANG Holdings (rubber and oil palm producer): Pre-tax profit £98,000 (241,000) for six months to June 30 on turnover £279,000 (£224,000). Earnings per 10p share 0.93p

### FT Share Service Information

The following securities were added to the Share Information Service in Saturday's edition: Christie Group (Section: Property).

Exmoor Dual Inv. Trust Ord. sis., Income shs., & Zero Cou-pon Pref. shs. (investment Trusts). Savills (Property).

### BOARD MEETINGS

The following			d deles
of board mee	alogai to th	e Stock Ex	obenge.
Such meetings pose of consid	erine divide	ny taona nor mada, Officia	me pur-
Stock are not	واطوالوده	and the verbes	ther the
divisions are			
had you's fire			,
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Pushinet, Highland Distillers, Syna puler Services. PUTUNE DATER	986 CSH
PLM PLACE COOP PLM PLM PACE Flace Fl	Oct, 20 Nov 3 Dec. 12 Nov, 16 Oct, 27
Placks Credity Print lot, City Hidgs Topscham Hotspers	Oct. 17 Oct. 28 Oct. 28



### Crédit Commercial de France

U.S. \$100,000,000

Floating Rate Notes due 1992

For the six month period 13th October, 1988 to 13th April, 1989 the Notes will carry an interest rate of 8.675% per annum, with a coupon amount of U.S. \$438.57 per U.S. \$10,000 Note payable on

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London

Agent Bank

### U.S, \$200,000,000



Compagnie Financière de Crédit Industriel et Commercial Floating Rate Notes Due 1997

Notice is hereby given that the interest payable on the relevant interest Payment Date, November 14, 1988 for the period May 12, 1988 to November 14, 1988 against Coupon No. 7 is respect of US\$50,000 nominal of the Notes will be US\$2,152.27.

October 17, 1988, Landon By: Cilbank, N.A. (CSSI Dept.). Agent Bank

CITIBANCO

### **Mayne Nickless Finance PLC**

\$40,000,000 7 per cent. Guaranteed Sub-ordinated Convertible Bonds Due 1994 unconditionally and irrevocably guaranteed on a subordinated basis by, with nondetachable subordinated conversion bonds issued by, and convertible into Ordinary Shares of

### Mayne Nickless Limited **Adjustment of Conversion Price**

Notice is hereby given that following a bonus issue of Ordinary Shares made by Mayne Nickless Limited at the rate of one new share for every five held, in accordance with the terms and conditions of the Bonds, the Conversion Price of the Convertible Bonds has been adjusted from Australian dollars 7.00 to Australian dollars 5.83 with effect from 7th October, 1988, . -17th October 1988 -

# LOWNDES **QUEENSWAY PLC**



Acquisition of HARRIS QUEENSWAY PLC

£250,000,000

**Medium Term Loan Facility** 

Arranged by **Charterhouse Bank Limited** 

> Lead Underwriters **Charterhouse Bank Limited**

Underwriters

The Industrial Bank of Japan, Limited

Co-Lead Managers Hill Samuel & Co. Limited

Bank of Scotland **Participants** Bayerische Vereinsbank

Aktiengeseilschaft LOSDON SEAMOR

Manager

Kansaliis Banking Group

Samuel Montagu & Co. Limited



Austost 1988

The Royal Bank of Scotland pic

The Torento-Dominion Bank

The Sumitomo Bank, Limited

The Dai-Ichi Kangyo Bank, Limited

NMB Bank

Pre-Tax Profits (Cm)

1982

include:

making such savage cuts they continued to support the group's research and develop-

ment work, notably at its cen-

tre in Wantage, Oxfordshire, in the past few years a num-ber of new packaging products have been launched. They

● Laminac – a plastic pack

which allows food to be kept at

room temperature but stay

good for two years. It has been

used for products varying from paté to pet food. The group

recently opened a film factory
to make Lamipsc packages.

• Lamicon — a multi-layered plastic bottle which has

appeared on supermarket shelves filled with temate

sageves infect with issuade ketchup and other sences, commanding a substantial premium price over glass bottles.

• Stepcan — a clear plastic can, with metal and a mid a mid

ring-pull opening, which is used as packaging for fruit and vegetables, again with a long shelf-life at room temperature.

There have been many development in the control of the control

opments in beverage cans, and packaging for other goods such as plastic paint cans as well. In all these applications packag-

ing companies are now front line troops in the manufactur-ers' marketing battles.

Throughout the group, Mr

Smith has encouraged managers to come up with their own

ideas for expansion opportuni-

ties. At first, he found people a little reluctant to stick their

necks out with proposals. But now he has a list of ideas

which would cost 2% times the

resources available to fund

them - a ratio which gives

him the chance to choose

where to direct the business.

A number of acquistions have been bolted on in the last

couple of years — such as last week's purchase of a control-ling stake in Ferembal, a French food cap maker — each

In the last financial year

over £150m was spent on cani-

tal investment and acquisi-

tions. Of that, 560m was raised

through a share placing but the rest came from internal

resources, and even so net gearing fell from 9 to 7 per cent

during the year. Clearly MB

has the firepower to continue

slowly gaining relative to the stock market in recent years.

although at the earnings per

share level growth has been

modest, at around 121/2 per

cent compound between 1983-84 and 1987-88. Some observers

feel that the group is still not

far enough down the path from

notential to achievement to get

too enthusiastic about the

shares yet.
However, Mr Mike Murphy, packaging analyst at S G Warburg, argues that a hid now could be too late.

"There is not a lot a bidder could do with MB that it is not

doing already," he says, adding, investors have seen

the restructuring and want to

see the benefits coming

through, it has reached the

stage where the management

must be given the benefit of the doubt."

MB's shares have been

its expansion.

a step in the overall plan.

# Mecca tops 18% in final | Distraction at a time of restructure week of Pleasurama bid

MECCA LEISURE, the bingo, holiday camps and nightclubs group, now owns, or has received acceptances for 18.4 per cent of the ordinary shares of Pleasurama, the leisure company, for which it is making a £757m offer.

Following further buying late last week, Mecca owns 8.9m ordinary shares (4.1 per cent) and has received valid acceptances for a further 30m shares (13.8 per cent). A further 1.16m (0.5 per cent) accep-tances have been received which are in the process of receiving the necessary clearMeanwhile, the war of words between the two companies erupted again with Pleasurama complaining about "question-able activities" in the course of the bid, which have included phone calls to a director's wife and allegations about the business activities of two directors.

However, Mr Michael Guth-rie, Mecca's chairman said Mecca had no involvement in any such activities and dis-missed the reports as "absolute rubbish". Mr Anthony Blakelock of Samuel Montagu, Mecca's merchant banking advisers, said "Mecca just isn't

The bid is entering its final week and whilst Pleasurama's share price, currently 222p, stands below the Mecca offer of 254p per share, the latter has a good chance of picking up fur-ther shares in the market. It is allowed to buy up to 15 per

In the early phase of the bid, Mecca's chances of capturing the much larger Pleasurama were lowly rated but its hones have improved since it introduced a cash element to its offer. Mecca's offer closes on Wednesday, but can be extended, under Takeover Panel rules, till Saturday.

### Meyer Intl concedes defeat

By Philip Coggan

MEYER INTERNATIONAL bas accepted defeat in the battle for builders merchanting group Travis & Arnold and is allowing its offer to lapse.

On Friday, Sandell Perkins

recommendation of the Travis an "investment".

Meyer has acquired 37.5 per cent of Travis & Arnold, which will give it a stake of 20 per cent in the combined group, renamed Travis Perkins. Mr announced that it had over 50 Oscar de Ville, Meyer's chairper cent acceptances for its all-share offer which had the the stake would be treated as

Meanwhile, Lazard Brothers,

Meyer's adviser, says it has "brought to the attention" of the Takeover Panel the sharp rise in Sandell Perkins' share price over the course of the bid, and particularly just before its offer went uncondi-

### David & Charles rises 69%

operations, since closed, all sections of the business contributed to a 69 per cent pre-tax profit rise at David & Charles Publishers in the half-year to

ings per 1p share were 1.22p

Since July 31, however, the company, being largely a mail-order concern, had been adversely affected by the postal strike, said Mr David St On turnover 21 per cent ahead at £5.89m (£4.87m), taxable profits emerged at £204,000 and the known for some time.

rationalise the external loan structure, and further changes to the group's financial structure were under review, he

The chairman was confident of the longer-term outlook. The company's shares are traded on the over-the-counter

### Monopolies reference rejected by Strong

MR RICHARD Strong, managing director of Strong & Fisher, has written to Mr Paddy Ashdown, leader of the Social and Liberal Democrats, following the latter's call for Strong & Fisher's bid for Pittard Garner to be referred to the Monopolies Commission.

In his letter, Mr Strong says that "no sector of the UK leather industry will be prejudiced by this bid" and he argues that the industry will

benefit by the creation of a strong tanning group.
Strong & Fisher launched a
£40.6m bid for Pittard Garner lest month.

An offer from Strong & Fisher for Garnar Booth, now part of Pittard Garner, was referred to the Monopolies Commission two years ago.

### Radamec

Radamec Group profits declined from £802,000 to £515,000 pre-tax for the first half of 1988. Turnover, however, rose by £1.55m to £5.78m. Earnings fell to L93p (2.43p), but the interim dividend is beld at 0.5p.

### Birmingham Exec

Birmingham Executive Airways, has received an approach which may lead to a takeover.

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange, It does not constitute an invitation to any person to subscribe for or purchase shares. Application has been made to the Council of the International Stock Exchange for the New Convertible Preference Shares to be admitted to the Official List. Dealings are expected to commence on Thursday, 27th October, 1988.

# Estates&General

(incorporated in England and Wales under the Companies Act, 1985. Registered No. 50072)

Placing and Open Offer to Ordinary Shareholders by Lazard Brothers & Co., Limited

21,054,318 6 per cent. (net) **New Convertible Preference Shares** of £1 each at par

The principal activities of the Estates & General Group are property investment and development in the United Kingdom.

Listing Particulars relating to the Company will be available in the Extel Statistical Services on 26th October, 1988. Copies of the Listing Particulars may be obtained during normal business hours for two days up to and including 28th October, 1988 from the Company Announcements Office, The International Stock Exchange, 45-50 Finsbury Square, London, EC2A 1DD and during normal office hours on any weekday (Saturdays and public holidays excepted) up to and including 9th November, 1988 from:

Lazard Brothers & Co., Limited 21 Moorlields

London EC2P 2HT

17th October, 1988

Panmure Gordon & Co. Limited 9 Moorfields Highwalk London EC2Y 9DS

Maggie Urry on the bid rumours surrounding the MB Group

r BRIAN SMITH says that when he joined Metal Box in 1985 the company had reached the stage where management could look up from the frantic baling out it had been doing for five years and start to set a course.

It's essential for any company to have a clear idea of where its going," says Mr Smith, now chairman of the business, which was recently re-named MB Group.

But the company - which embraces packaging, central heating equipment and cheque printing - may now find itself distracted from its course of restructuring and redirection by hid rumours.

Elders Investments, a subsidiary of Australian company Elders IXL, revealed last week that it had built up a 5.1 per cent stake in MB. The stock market's initial response to the news was to

reverse some of the speculative rise in the group's shares, in the belief that Elders Investments or its parent was an unlikely hidder. By the week-end the shares had fallen 11%p from the peak on Wednesday night of 209%p. But the fact that a canny

investor believes the group to be undervalued, and the chance that the stake could be passed on to a more likely hid candidate, must increase interest in the company. For the last two or three

Brian Smith - outlining a

years Mr Smith has been working to build a strategy and to get the message across to with fund managers he out-lined his vision of where the group will be by 1992.

A lot will have changed from 1980-81 when group profits of about £29m were entirely



stors. At a recent meeting

By then, he reckons, turnover will be running at £2bn a year, compared with £1.2bn in the year to March 1968, and the geographical split will be roughly 40 per cent UK, 25 per cent mainland Europe, 25 per cent US, and 10 per cent Far



carned in Nigeria and South

# **Metal Box** Share price (pence)

Africa, with the UK business barely breaking even. In the interim MB has not only redirected its geographi-cal ambitious towards stronger markets, but has restructured markets, but has restructured much of its product portfolio. The old-fashioned food can, for long the staple of Metal Box, has been losing out to more sophisticated packaging.

If you are an established produce and life is changing it is consistent that the constability of the constabi

1988

is inevitable that you have a lot of assets on the ground which represent where you were rather than where you are going," points out Mr Smith Plant closures, rationalisation and redundancies cost MB about £150m in the years

1980 to 1985. Mr Smith is grateful that while his predecessors were

# Forward Tech warns on profit

FORWARD Technology Industries, manufacturer of electronics and specialised machinery, reported pre-tax profits down from £1.32m to £743,000 in the first half of 1988 and warned of lower fall year results. The comparative 1987 first-half figures have been increased to reflect last September's US acquisition of Tape based on merger accounting principles.

Turnover slipped to £15.04m (£15.82m) and after tex halved at \$275,000, earnings worked through down at 1.4p (1.9p) per share. The company has resumed interim dividends with a payment of 0.5p per

The electronics side showed a \$420,000 fall in trading profits to £1.04m, though this division reported a last time figure of

THE

**NETHERLANDS** 

The Financial Times proposes to

publish this survey on:

1st NOVEMBER 1988

For a full editorial synopsis and

advertisement details, please contact:

Mr Richard Willis

on Amsterdam 23 94 30/22 56 68

or write to him at:

Financial Times (Benelux) Ltd

Herengracht 472, 1017 CA Amsterdam

**FINANCIAL TIMES** 

**Nationwide** 

Anglia 🗯

£100,000,000 **Floating Rate Notes** 

Due 1998

(Issued by Anglia

**Building Society**)

Notice is hereby given that the

Notes will bear interest at 121/8% per annum

from 14 October, 1988 to

16 January, 1989.

Interest payable on

16 January, 1989 will amount to

£156.13 per £5,000 Note and

£7,806.51 per £250,000 Note.

Agent Bank:

Morgan Guaranty Trust Company of New York

London

ELISM before the Tape acquisi-tion. Sound and vision saw an increase in losses to £217,000

(288,000). The directors said that even though most of the company's operations were showing healthy order books, the auticipated lower ultrasonic cleaning profit indicated that group profits for the full year would fall short of the 1987 level of

On Destrict 17, 1985 heiders of autopose from t met Berkel Castillation will be unfaired by a des Law, hand an the castilly simp of Groups, black

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Robert, Switche 113 and 6.5 4.3 20 36.8 28 13.5 30.7 3.4 8.7 7.6 . 3485 Treston Holdings (USA)

out to auditalogy; bear soler after traject of Membern (M210) has G20 base These Securities are dealt in strictly on a matched bargate bank. Hebber Grandle & Co nor Granville Davies Ltd are market matters in these securities.

Guaraille & Co. Lad. 8 Lovet Less, Loudes EC19, 689 Trisphone 01-621 2212 Telephone views ... Member of TSA

\$ Loter Eure, London ECTR SEP Telephone 01-621 1212



### OTTOMAN BANK

(Incorporated in Turkey with Limited Liability)

### **Interim Statement**

The profit after tax attributable to shareholders for the six months ending 30 June 1988 is £12,861,682 (30 June 1987 £9,678,731). This result, which has not been audited, is equivalent to earnings per share of £25.72 (£19.36).

As indicated in the last Annual Report there has been a change in the accounting policy relating to the treatment of foreign exchange gains and losses on shareholders'. funds invested in the branches in Turkey and France. These are now taken to profit and loss account. This policy has been implemented in the accounts for the full year to 31 December 1987 and if it had been applied for the first half of the year the profit for that period would have been reduced to £6,589,081.

The currency of account of our subsidiaries has been changed this year from US dollars to Sterling and all translation differences are now dealt with through the profit and loss account. This change has given rise to an exceptional gain estimated at £4 million included in this year's profit.

The uncertain market conditions were reflected in the results of the Group outside Turkey which, leaving aside the exceptional item, were markedly lower than those for the same period last year. This trend is expected to continue in the second half of the

The business in Turkey has continued to progress satisfactorily in local currency terms and the first half year's results are better than those for the same period last year. However, the Turkish Lira has depreciated by nearly 70% already this year, a large part of this depreciation occurring since June. The full year's results of the Group are not expected to differ significantly from those of last year.

In line with the Group's practice, no interim dividend is proposed.

14 October 1988

FINANCIAL TIMES STOCK INDICES 1988 High Low 0ct. 88.84 88.94 .89.02 88,74 91.43 86,28 97.47 97.51 97.34 97.01 96.87 98.67 94.14 105.4 1471.9 1487.2 1490.3 1490.4 1514.7 1349.0 1926.2 1494.0 1487.9 49.4 175.0 176.0 181.6 177.3 175.9 312.5 162.7 951.0 943.53 954.21 956.44 956.27 978.58 870.19 174.1 43.5 FT-Act All State ... 61.92 870.19 1238.57 1830.7 1814.3 1838.3 1844.1 1844.7 1879.3

US\$200,000,000 Guaranteed Floating Rate Notes at the Option of the Holder at par Commencing October 1982 Citicorp Overseas Finance Corporation N.V. (Incorporated with limited liability in the Netherlands Antilles) Unconditionally guaranteed by CITICORPO

Notice is hereby given that the Rate of Interest has been fixed at 8.5% and that the interest payable on the relevant Interest Payment Date, January 17, 1989 against Coupon No. 35 in respect of US\$70,000 nominal of the Notes will be US\$217.22.

October 17, 1988, London By: Citibank, N.A. (CSSI Dept.), Agent Bank

**CITIBANG** 

U.S.\$75,000,000 The Bank of New York Overseas Finance N.V.

(Incorporated with Resided Substitute in the Netherlands Antilies)
Guaranteed Floating Rate Subordinated Notes due January 1996 silly Guaranteed, on a Subordinated Payment of Principal and interest by

The Bank of New York Company, Inc. (Incorporated in New York, USA)

Notice is hereby given that the Rate of Interest has been fixed at 8-6875% p.a. and that the interest payable on the relevant Interest Payment Date, january 17, 1989, against Coupon No. 20 in respect of U.S.\$ 10,000 nominal of the Notes will be U.S.\$222-01. October 17, 1988, London By: Chilbank, N.A. (CSS) Dept.), Reference Agent CITIBANCO

WOOLWICH **EQUITABLE BUILDING SOCIETY** £290,000,000 Floating Rate Loan Notes Due 1993

Scandinavian

Finance B.V.

U.S.\$60,000,000

Floating Rate Serial

Notes due 1993

Scandinavian Bank Group plc

For the six months

17th October, 1988 to 17th April, 1989

Agrant Bank:

e rate of interest has been fixed at to per cent and the interest payable the per cent and the interest payable the relevant interest payment date.

se relevant interest payment date. April, 1989 against Coupae No. 12 will be USB451.84 per Note.

Guaranty Trust Company of New York

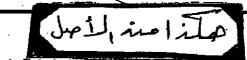
Guaranteed on a subo

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three anouths interest Period from (and including) 13th Oenber, 1988 to (box exchafing) 13th January, 1989 the Notes will carry a rate of interest of 12% per cent. per annum. The relevant Interest Payment Date will be 13th January, 1989. The Compon Amount per £10,000 will be £3,056-16, payable against surrender of Compon No: 2 No: 2

Hambros Bank Limited Agent Bank FT-SE 100.

وورعموا

Notice of Redemption



# Norsk Hydro a.s U.S. \$100,000,000

123/4% Bonds 1992

Conditions of the Bonds; the Issuer will redeem all of the Bonds then outstanding, being U.S. \$73,500,000, on November 30, 1988, (the "redemption date"). The Bonds will be redeemed at 102% of their principal amount plus interest accrued to the redemption date at U.S. \$10.27 per Bond. Payments of principal together with payment of accrued interest will be made in accordance with Condition 4 of the Terms and Conditions of the Bonds on or after the redemption date at the specified office of any of the Paying Agents who are listed in the Terms and Conditions of the Bonds, against surrender of Bonds with all unmatured coupons attached, failing which the face value of any missing unmatured coupon will be deducted from the payment. Any amounts of

principal so deducted will be paid against surrender of the relevant missing coupon within a period of five years from the date mentioned on the coupon or within ten years from the relevant date as defined in Condition 5 of the Bonds. Coupon No. 6 maturing on November 1, 1988 should be presented for payment in the usual manner. Interest on the Bonds will cease to accrue from the redemption date. Bonds will become void unless presented for payment within ten years from the redemption date.

Further notice is hereby given that pursuant to Condition 3(a) of the Bonds U.S. \$20,000,000 Principal amount of Bonds has been drawn for the mandatory redemption instalment on November 1, 1988. The serial numbers of the Bonds drawn for the mandatory redemption instalment are as follows:-

(Continued on the following page.)

(Continued on the following page.)

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Bondholders attention is drawn to Condition 4 of the Bonds which contain information in respect of payment of such drawn Bonds.

By: The Chase Manhattan Bank, N.A. London, Principal Paying Agent



October 17, 1988

CHASE

#### **DIARY DATES**

75641)

November 1-3

November 1-6

(04868 22562)

November 3-6

November 8-10

ference (01-727 1929)

November 8-19

Show (01-486 1951)

#### Trade Fairs and Exhibitions: UK

October 18-20 Enterprise and the Inner Cities Exhibition & Conference (01-642 7688)

October 22-30 British International Motor Show (01-235 7000) NEC Birmingham

October 24-28 ·· International Business Show (01-868 4499) **Rarls Court** 

October 25-28

727 1929)

Building Exhibition - BUILD-ING (01-486 1951) **Earls Court** October 25-27 Fluid Handling Exhibition

(01-680 7525) Wembley Conference Centre October 27-80 Home and Leisure Exhibition (0253 25252) Winter Gardens, Blackpool October 28-29 Cash & Carry Fashion Fair (01-

Accountants and Banking International Exhibitions Kensington Town Hall

#### Overseas Exhibitions

October 20-31 International Trade Fair SIN-TRA (01-834 5082)

International Show-INTRON (Dublin 900600)
Dublin International Electronics

November 6-8 Lingerie and Hosiery Show (01-499 7291)

International Agribusiness Exhibition and Conference – AGCHINA (01-940 3777) Beiling

November 8-12 International Technical Exhibi tion (including engineering, welding and chemical educational textiles) (01-486 1951)

November 1-3 Company Asset Leasing Exhibition and Conference (07072

Northern Food and Drink

Kensington Antiques Fair

London Money Show - MONEY (01-940 2244)

World Trade Services (Freight & Export) Exhibition and Con-

G-Mex Centre, Manchester

Kensington Town Hall

NEC, Birmingham

Jakarta

Berbican

November 9-12 International Home Furnishings and Appliance Show JAPAN HOME SHOW (01-486 1951)

#### **Business and management conferences**

October 17 City Research Associates: The changing shape of the financial services market — successful survival beyond 1990 (01-833

October 17-18 International Business Com-munications: Technology for retail banking (01-236 4080) Inn on the Park, London W1 October 20-21

Electronic financial services (01- 925 2323) Hotel Inter-Continental. London Wi October 20-21

Arthur Andersen & Co/Venture Economics: Corporate Venturing (01-836 1200)

#### **FINANCIAL**

COMPANY MEE Benchmark, Bellic E Ave, E.C., 5.80 BOARD MEETINGS-

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Johannesburg Cons. Inv. 1750cts London Utd, Invs. 3p Ntb. Amer. Philips Corp. 127gpc Nts. 1991 Nth. Amer. Philips Corp. 12% pc Ms. 1991 8.4575 pc Peolife Gas & Elect. Finance 12pc Gat. Debs. 1991 Bp Parallezmon 1.5p Scendinarylan Finance BV Fitg. Rate Seriel Nth. April 1993 \$382.2

TOMORROW

COMPANY MEETINGSAshteed Group, 30 Furnival Street, E.C., 12.00
Cook (D.C.), Howard Hotel, Temple Place,
Strend, W.C., 12.00
Howard Holdings, Kingston, Lodge Hotel,
Ringston Lodge, Kingston, Sarrey, 10.30
Markulle Moord, The Dorchaster, Park Lase,
W., 12.00
Ricerdo Consetting Engineers, St. Errain's
Hotel, Godon Street, S.W., 12.00
Thomsons, The Assembly Rooms, Derty,
11.50
BOARD MEETINGSFinals:

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Farnell Electronic
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Dolphin Packaging 2p
Life Sciences Intl. 0.5p
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Treasury 93-pc Cav 1989 4.75pc
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WEDNESDAY OCTOBER TO
COMPANY MEETINGSAutomagic, A.M. House, Coldherbow Lane,
Harpsuder, Herts, 10,00
Ebiet, Prince of Weles Laws, Skralingham,
12,00 12:00 Macro 4, Butchers' Hall, 57 Bertholomew Cices, E.C., 12:00 Senderson Murray & Walker, Victoria Hotel, Bratford, 12:30 Sonto (W.I.), Milibank Tower, S.W., 11:30 BOARD METINGS-Healer

Finals: CDFC Tat.

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Scottish Heritabis 7st. 2.5s Second Alliance 7st. 180 Do. 4<sup>2</sup>2pc Cum. Prl. 1.575p Smith (W.H.) "A" Sp Do. 18" 1.2p Tilbeet 8 Brittee 1.9p Litramar 2.5p Yute Cann 1.6p

#### **CONSTRUCTION CONTRACTS**

SIR ROBERT MCALPINE MANAGEMENT CONTRACTORS has started work on the preconstruction phase of the Prudential Corporation's £100m refurbishment and redevelop-ment project. The main con-struction activity is due to commence in March 1989.

most will be retained. The remainder will be demolished

The site which is bounded by Holborn, Brooks Street, Bean-champ Street and Leather Lane, is occupied by existing buildings. A large proportion of these are Grade II listed and

to "shell and core" finish. All parts which are of major historical and architectural interest will be fully refurbished and restored to the original designs. Special measures will be taken throughout the construction period to prevent possible damage to the façade and internal finishings.

The six-storey complex, providing a floor area of 65,816 sq metres (750,000 sq ft), will contain one circular and three rectangular atria and will retain the three existing court-

and new buildings constructed yards. The new build element will be of steel frame design. Cladding will be polished honed and flame textured granite with a protected membrane roof over. All external finishes will compliment those of the

retained buildings.
Work will include extensive external restoration, the resurfacing of pavements and courtyards, landscaping and tree planting. The project is being managed by the development group of Prudential Portfolio Managers.

There will also be substan-

tial reclamation of the mud

flats behind the jetty. Dry sand will be excavated from a num-

ber of sites, mixed in a cham-

ber with salt water drawn from the flats to provide 500,000 cu metres of hydraulic fill which

will be pumped to various loca-tions to raise the land level.

Work is due to start in the New Year and will last 30

months; the client is Korangi

Fish Harbour Authority and

the consulting engineer

completion in August 1989 and

February 1990. The four build-

ings comprise around 265,000

sq ft of office accommodation.
Construction is well under way
and is being progressed by
main contractors, Alfred McAl-

pine Construction.
M.F. Kent's contract is of the

design and build type, encom-

passing air conditioning, heat-ing, ventilation, plumbing, lifts, electrics, sprinklers and

#### Metamorphosis in Marylebone

It's better

built by

Monk

A. Monk Building & Civil Engineering Limite

P.O. Bux 43, Warrington, Chestrice WA1 4/B Telephone: (1925) 812000

A Day Corporation company

WATES CONSTRUCTION (LONDON) has secured orders valued in excess of £15m. In Marylebone Road NWI on the site of the former Marylebone Grammar School, Wates has a Korangi is the fourth port to be be lowered and grouted into built or upgraded, the others sockets and the casings £8m contract to build offices

for Gazeley Properties. The contract includes demolition of school buildings, resto-ration and conversion of a Grade 2 listed former church into four-storey offices, con-struction of eight-storey offices and a block of 25 flats.

Close to the M2 near Chatham in Kent, a contract is underway to build a 100 bed hotel on a fast track programme for Franthom Property. The new Bridgewood Manor Hotel, which will be operated by the Marston Group, will include conference and leisure facilities housed in a single-storey structure feat-uring steeply sloping slate roofs with the bedroom accommodation in a three-storey "T" shaped structure behind.

#### Scunthorpe jetty work

MOWLEM NORTHERN, a division of John Mowlem & Co, has been awarded a £2.5m contract by J. Wharton (Shipping) at Grove Wharf, Gunness, Scunthorpe.

The contract is for the construction of a 110-metre long jetty, two 2,700 sq metre bulk storage warehouses, a 2,250 sq metre general purpose warehouse and 38,500 sq metres of additional open storage areas.

When the scheme is completed Grove Wharf will have 500 metres of jetty frontage, 3.3 hectares of warehouse accommodation and 18 hectares of open storage.

Annual tonnage at Grove Wharf is now in excess of 2m tonnes and with the new facilities it will be capable of handling considerably more.

## Developing Pakistani fishing industry

built or upgraded, the others being Gwadar, Pasni and Kara-

Mowlem's work, which will

be undertaken with a local associate and subcontractor

Shamsi Builders (Pvt), will

comprise the construction of a

700 metre long jetty with

refrigeration, packing and administration buildings, power plant, access roads and

water supply.

The jetty will be supported on 1,000 steel piles which will be installed using a temporary

outer casing to drill into sand-

stone; the steel piles will then

1.25m so ft of self contained

nine office buildings plus the Harbour Island retail element

which will house a mix of restaurants, banks, travel agen-

cies, chemists, convenience

stores, stationers and news-

agents etc.

Much of the site is at an

advanced stage of construc-tion, with Buildings 6, 7, 8 and

9 being the final units due for

The complex is divided into

offices and retail facilities.

Office buildings on the Isle of Dogs

MOWLEM INTERNATIONAL has won a Rs 373m (£12.86m) contract for Korangi fish harbour in Pakistan. It is believed to be the first time a British contractor has worked in Pakistan for nearly ten years and the contract was won against connectition from Ruropean, Japanese and Chinese firms.

The project is part of a major development of Pakistan's fishing industry funded largely by Asian Development Bank. Shrimps, lobster, crayfish, flat-fish and white fish will be landed and processed for both home and export markets.

M.F. KENT SERVICES has won

a contract worth £11m for

mechanical and electrical ser-

vices for buildings 6, 7, 8 and 9 of the Harbour Exchange office development in London's dock-

Harbour Exchange, situated

on the Isle of Dogs, overlooking Millwall Dock at the centre

of the Enterprise Zone, is being

developed by Charter Group Developments and comprises

November 13-17 International Refrigeration, Ventilation, Air Conditioning and Heating Exhibition REVAC (01-940 3777)

The Economist: 1992 The new

Europe - Getting to grips with the competition (01-839 7400)

Park Lane Hotel, London W1

October 24

October 25-26

debt (01-236 4080)

Caledonian Hotel, Edin-October 25 burgh Leatherhead Food RA: Innova tion in the food and drink industries (0372 376761) Regents Park, London

Financial Times Conferences:

October 31- November 1 Financial Times Conferences: Professional personal computers in the 1990's (01-925 2323) Hotel Inter-Continental.

International Business Com-

munications: Managing LDC

London Press Centre, EC4

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

Bittingagete City Secs. Boot (H.) Cartton Inds. City of Oxford Inv. Tst. Greekem House ata City Secs. Hawker Siddeley House of Lerose Hunting Assoc. Indi DIVIDINA AND WITEREST PAYS Assoc. Brt. Engineering (LOSp Collins (WALKen) 3.75p Co. "A" 3.75p Cook (D.C.) 1.5p Equity 5 General 1.35p Howard Hidgs, 0.8p Ligred 1.5p WSP Hidgs, 0.8p

THURSDAY OCTOBER 20
COMPANY MEETINGSBlack (Pater), The Strewery, Chiswell Street
E.C., 12:30

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11/104, D-5300 Bonn. Teleu: 8869 542. Tel: 02251-21 00 58. dilly, W., 11.20 datereurope Technology Services, Hilton National Hosel, Begshot Road, Bracknell, Berks, 11.00 Kuethu, 25 City Road, E.C., 12.00 Nespend, Hallism Towar Hotel, Manchester Road, Shrilleid, 11.00 Grant Ereter 19261-21 to 38 Philabit Editorial, Advertising and Ctroulation Marchants House, Wapping Road, Bristol BS1 4RW. Tel: 0272 29255 Brussele: Editorial, Advertising and Ctrouts-Osprey Communications, Great Easts Hotel, Liverpool Street, E.C., 11.60 BOARD MEETINGS-

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Main 1. Editorial Talext 416052. Tai:069-75090. Advartising and CirculationTalext 416153. Tel: 069-75090. Geneva: Editorial Satie de Presen No1, Palain das Nationa, CH-1211 Geneva. Tel: (022)337062. Advartising and Circulation rue du Cendrier 15, CH-1201 Geneva. Tel: (022) 371604. Tel: 22599. Itong Kong: Editorial, 17a Shum Ho Tower, 24-30 ica House Street, Central Hong Kong: Tel:5-464 3311 & 5-845 3312 Telex: 67940 FKHKO Fex: 6-668 4224. Advertising 802 Fer East Exchange Building, 8 Wyndham Street, Hong Kong. Telex: 60418 Wadco. Tel: 5-268-4615. Jerusalean: P.D. Box 3434, Jerusalean 91034. Tel: 244517. Johannesburg: Editorial 4th Floor, Royal St. Johannesburg: Editorial 4th Floor, Royal St. Maryls, 35 Elect Street, Johannesburg 2001. Telest: 4-98053, Tel: 011 23-4423 and 011 23-3151. For FT Cityline Directory, FT-SE 100 Index and MF

Access phone 0698 123456; Stock Market Report, 0898 123001; UK Company News, 0898 123002; sterling rates, 0898 123004. Calls charged at 38p per minute, peak & FRIDAY OCTOBER 21
COMPANY MEETPIGSBorder Television, Television Centre, Carfisie, Combria, 12:00
Haynes Publishing, Conference Centre,
Sperificid Most Museum, Sperificid,
near Yeavil, Somerset, 1.00
Norbin Electronics, The Most House, Reading, 12:00
Shelidon Jones, Spensor's Louinge, Royel
Beth and West Showground, Stepton
Meliot, Somerset, 12:00 standard and 25p per minute, cheap rate All advertising is subject to the publisher's extract forms and conditions, expires of which are a

BOARD MEETINGS-Loveland tester that the control of Jonies & Shipmen 7.15p Lambert Howarth 2.5p Lloyds Bank Gra. "A" Ver. Rate Subord. Wa. 1966 2279.02 Natifiest Finance BV Gal. Fitg. Rate Gap. Na. 2005 \$284.43

## £19m batch for Tarmac companies

Contracts worth about £19m have been awarded to TAR-MAC CONSTRUCTION. The largest, at £3.2m, is for a swimargest, at EAZM, is for a swin-ming pool, three blocks of town houses, two office build-ings, together with car park and services, at Chiswick, London, for Rosehaugh Project

Large contracts also include factory extensions, including extensive foundations work,

Ameterdent: Editorial, Advertising and Circula-tion Herengracht 472, NL-1017 CA Amsterdam. Tel: (102) 230450/25668 Teles: 19627 Birmingham: Editorial and Advertising

of Office: The Figu

for the Star Aluminium Co at Bridgnorth, Shropshire (£3m); and business units at High Wycombe, Buckinghamshire, for Blue Lamp Properties.

Leeds: Advertising Permanent House, The Headrow, Leeds LS1 80F. Tel: 0532-6569. Lisbon: Editoriel Rua do Prior 31-38, 1200 Lisbon. Teles: 12533. Tel: 019-574-408. Nestrick: Editoriel Exprended 32, Madrid 3. Teles: do Reulers (London 24146). Tel 91-441 8772.

New York Editorial Survey (1986) 124 St. Tel: 2004.

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Manchester: M2 GLF. Telesc: 668513. Tel: 051-634 8301.

Manchester: Editorial Alexandra de Telesco 302.

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Advantising and Circulation Telesc 238409. Tel: 0212-752 4500.

Perke: Editorial, Advantising and Circulation Centre of Attaires Le Louvre, 165 Rue de Rivoll, 75044 Paris Cadex 01. Tel: 22004.

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Other projects are for five-storey offices at Manchester, for the National Computing Centre (£2m ); roadworks at Warmley, Avon, for Lovell Homes (Western) (£2m) and extensions to an Asda store at

FINANCIAL TIMES

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INTERNATIONAL & BRITISH EDITORIAL, ADVERTISMENT

& CIRCULATION OFFICES

**EXPORT SEMINARS 1988** 

**PUTTING DOWN ROOTS** 

IN GERMANY

BRITISH CHAMBER OF COMMERCE IN GERMANY

in association with the DIT the Federation of Sussex Industries and

Chamber of Commerce and

Equity and Law Life Assurance Society ple

"PUTTING DOWN ROOTS IN GERMANY"

Gatwick, 8 November 1988 Contact: Federation of Sussex

Industries and Chamber of Commerce

Tel: Brighton (0273) 26282/5

Newcastle upon Tyne, 9 November 1988 Contact:

DT1 - NORTHEAST Tel: Typeside (091) 232 4722 Manchester, 10 November 1988

Contact: DTI - NORTHWEST Tel: Manchester (061) 236 2171

ATTENDANCE ON EACH DAY - 446 INC VAT

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Planacial Times List, Sepober House, 19 Camon Street, London ECOP 489 954871. Telex. (Advertising) 95583. Telephone: 01-308 8000. Frankfurt Office one (Europe) List, Goldenbranes 54, 0-6809 Freekfurt-ser-likels 1, Wee 416183. Telephone:73881-9. Editorial: Guiodettstrassam 54. Teleo: 416033 77. New York Office: The Finencial Times, 14 East 60th Street, New York 10022, USA. Teleo: 239409 FTOL. Telephone: (212) 752 4500.

Grimsby (£1.2m).

The contract housing division has also won contracts. They include work on homes at Birmingham (£1.7m); Bedford (£1m) and Weston-super-Mare (£400,000).

Tarmac Refurb, the refurbishment specialist, has a £460,000 contract for a new ward at George Eliot Hospital, Nuneaton, for North Warwick-shire Health Authority.

fire protection.

#### **FINANCIAL TIMES CONFERENCES** ELECTRONIC FINANCIAL SERVICES IN THE 90s

London, 20 & 21 October 1988 This sixth event will look at the way both traditional and new financial service providers are using new technology to extend retail financial services. Contributors will include Gene Lockhart, Jacques De Keyser, Sinbad Coleridge, Michael Tuke, Glovanni Franzi and Peter Duerden.

PROFESSIONAL PERSONAL COMPUTERS IN THE 90s London, 31 October & 1 November 1988

This Financial Times Conference brings together in London representatives from key companies in the professional personal computer industry at a time when significant issues chiefly connected with industry standards are being debated and resolved in ways which will affect the future shape of the industry. Speakers will include David McAughtry, Jim D'Arezzo, Alain Blancquart, Roberto Schisano, Gordon Campbell, Vittorio Cassoni and Raymond Noords.

THE WORLD OUTLOOK FOR MOBILE COMMUNICATIONS London, 7 & 8 November 1988

Mobile communications is one of the fastest growing sectors of the telecommunications market. This two-day conference will look at the rapid changes that are taking place in the market, and of the many factors that affect the progress of mobile communications. It will also examine the practical implications that must be addressed by telecom enterprises as well as the range of opportunities now being opened up in both equipment and services. The distinguished panel of speakers who will lead the debate include Robert Atkins, Parliamentary Under Secretary of State for Industry, Stephan Pascall, Commission of the European Communities, Kouhei Nishino, Nippon Telegraph & Telephone Corporation, John Carrington, British Telecom Mobile Communications, Gerry Whent, Racal Telecommunications Group and Amin Silberhorn of the Deutsche Bundespost.

YENTURE CAPITAL FINANCIAL FORUM London, 1 & 2 December 1988

Jointly organised by the Financial Times and the British Venture Capital Association, the Forum provides a unique opportunity for venture capitalists and executives from financial institutions to meet growing private companies which will be seeking venture capital based finance. John Cope, Minister of State for Employment will deliver the opening address and the 1988 Forum will feature two case studies of successful venture capital backed companies.

THE OUTLOOK FOR OIL London, 5 & 6 December 1988

H E Sheikh Ali Khalifa Al-Sabah, the Kuwaiti Oil Minister, and H E Issam Al Chalabi, the Iraqi Oil Minister will be the two principal speakers from the Gulf at this topical conference. Production, prices and the outlook for the post war Gulf provide the main themes for discussion. Other contributors will include Robert Horton, Managing Director, British Petroleum Company; James Schlesinger, former US Secretary for Energy; Charles DiBona, President of the American Petroleum Institute and Graham Hearne, Chief Executive, Enterprise Oil.

All enquiries should be addressed to the: Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ. Tel: 01-925 2323 (24-hour answering service) Telex: 27347 FT CONF G Fex: 01-925 2125

#### LEGAL COLUMN

## Grass is getting greener for lawyers in industry

By David Churchill

IS THE grass always greener over the past 12 months. lawyers in industry? Many solicitors, caught up in the frustrations of life in practice, often speculate about taking a job in the outside world of finance, commerce, or indus-

provided by a survey from Chambers and Partners, a lead-

It was the highest level of increase since 1980-81 when lawyers in industry had increases of more than 18 per cent on average. But the sharp surge in legal

try.

Now they can base their daydreams on some sort of reality,

Now they can base their daydreams on some sort of reality,

Nowledge to their dayin industry ahead of their counterparts in legal firms.

Mr Michael Chambers,
Chambers' principal points
out: "I said last year that the Chambers and Partners, a reading legal recruitment company.

Chambers' survey – its 15th out: "I said last year that the annual review of salaries of dramatic increases we were seeing then in private practice – including some lawyers in industry - reveals seeing then in private practice that corporate legal eagles salaries - including some enjoyed an average increase in remarkable increases for salaoyed an average increase in remarkable increases for sala-nuneration of 16.5 per cent ried employees in major City

firms - had not had the wider impact on salaries in industry and commerce that one might

have expected." have expected.

"It would now appear the impact was merely delayed." he says. "Salaties of lawyers in industry seem to be rising as fast as those in private practice, particularly at the more junior levels where direct competition with private practice salaries is most keenly felt." The survey of 337 lawyers in industry found that the average salary – excluding bonuses but including compo-nents such as London Weight-

## AVERAGE REMUNERATION OF LAWYERS IN INDUSTRY

	288	y	POTEM TOE	lotal remuneration	
Job Category	Men	Women	Mea	Women	·
Legal assistants	£26,823	£25,063	£31,252	529,188	
Legal advisers Assistants &	£35,347	£31,032	242,703	£36,244	
advisers aged	30 to 40	£30,765	£28,169	£36,770	£32,849
Source: Chambers and Perform					

The average salary for a legal assistant - someone responsible to a lawyer in a senior position but having no responsibility for other quali-fied staff – was £26,648.

For a legal adviser – respon-sible to a lawyer but with

responsibility for other legally qualified staff - the average salary was £34,755. Senior legal advisers, how-ever, earned an average of

When fringe benefits such as company cars, subsidised mort-

gages, and loans were taken into account the average total remmeration was £39,670. The average for legal assistants was £31.085, for legal advisers £42.006, and for senior legal

advisers it was 256,999. However, the survey found wide inequalities in the average pay for men and women lawyers in industry. "Male law-yers in industry tend to earn about 12 per cent more than their female colleagues of simi-lar age and status," it says. But the survey also shows how relatively small are the numbers of women lawyers in

This contrasts strongly with private practice where, according to a survey we car-ried out earlier this year, women constitute about 36 per cent of assistant solicitors," it

industry, as only one in every ten of those surveyed was a

Analysis of the survey by industrial sector shows the siter-effects of the stock market crash last October: the banking sector, for example, has fallen from first position to

lawyers in-house than it was in Total overbead costs per feeearner, according to the survey, were £29,266 a year, compared with £26,813 in 1986. Chambers estimates that the cost of using a senior lawyer outside the company was some

alent in-house lawyer.

higher than those in manufac-

turing industry; this year they are only 2 per cent higher. On a regional basis, London and the south-east, not surpris-

ingly, came out well ahead with the south-west nearly

£10,000 below the average

remuneration for lawyers in

industry in the London area.

A separate survey by Chambers of the cost of 'in-house'

legal departments in compa-nies also produced some inter-esting results. "The overall

increase in the cost of main-taining a company legal department has increased —

since the last survey in 1966 -by only about 15 per cent," it says. "As the fees charged by

outside lawyers appear to have

increased by between 24 per cent and 30 per cent, it is clearly even more cost-effective

today to employ commercial

3.72 times the cost of an equiv-

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## Allen & Overy opens first office in Japan

ALLEN & OVERY, a leading City law firm, is joining the drive into Japan by opening its first office there following the relaxation of curbs on foreign law firms by the Japanese authorities, writes David

Churchill. Allen & Overy joins other British firms, including Slanghter & May and Linklaters, which have already opened offices in Tokyo in an attempt to capitalise on the perceived demand for English legal advice for Japanese com-

panies planning on expanding their dealings with the UK. John Kennedy, Alien & Overy's senior partner, said that the firm has been anxious to ensure its presence in the three leading financial centres in the world - London, New

York, and Tokyo.
"When we opened our New York office we were surprised to find that the type of work we did was not what we had originally expected," he said.
"We thought it would be mainly banking and capital

venture work but in fact we have had to deal with a lot of merger and acquisition cases."
He said that initial indications suggest that the same will happen in Tokyo. "We thought they would want to know about international capital markets and banking but are actually finding an interest in joint ventures, property, and pension schemes," he said. The firm will be headed by resident partner Mr Christo-

Allen & Overy is also open-

ing an office in Hong Kong where it is able to practise both local and English law. Resident partners are Mr David Sutton, Mr Jonathan Gould, and Mr Jonathan Brayne and they provide full financial, commercial, and cor-porate advice including advice on litigation and arbitration. Allen & Overy is no strange to the Far East since it already has a liaison office in Peking

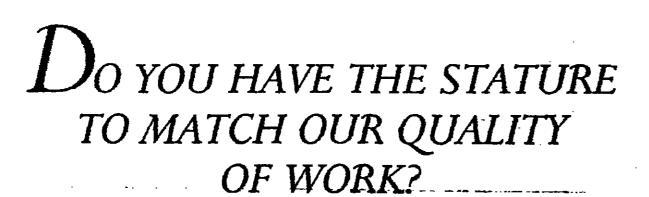
to offer direct assistance to chi-

third in the rankings.
Last year earnings in benking were some 15 per cent ents doing business in main-land China.

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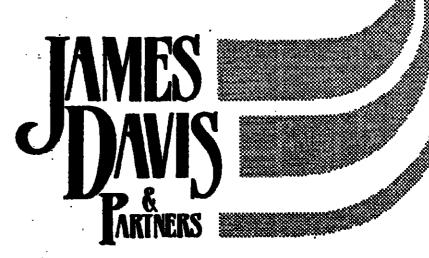
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"My God, Simkins, I think I understand this bit" - Martin Thomas, London N10. "So brief, yet so full of comment" - Mr Chuter, London W7.

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"I say Lawson, it's really quite impossible to figure out these cricket scores" - Henry

Engelhardt, Croydon. "The paper that Refreshers the Juniors that others cannot hope to reach" - Mr & Mrs

Sowman, Exeter, Devon. "His Lordship requests your presence in court - both to represent your client and to return his FT" - Dudley Paget-Brown, Esher, Surrey.

"Don't court ignorance, read the Financial Times" - David Fleming, Wilmslow, Cheshire. The winner will receive a case of the Financial Times' specially labelled Laurent Perrier Rose Cuvee Brut Champagne. In addition, the winner and the nine runners up will receive a framed limited edition print of the illustration.

The competition was judged by members of the FT Board. The standard of entries was of an extremely high quality and the FT wishes to thank all those

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- **ACROSS** Master of ceremonies swal-lows a wine gum (6)
- 4 Compensate with cosmetics?
- 8 Not many can provide a word of opposite meaning
- (7) 9 King of lodge Monica's built
- 11 Drivers should avoid it, and
- what passes through it (10) 12 I take round a thank-you let-
- ter (4)

  13 A gesture one doesn't care to make (5)

  14 Risk death with passion (8)
- 16 One rum is enough for a Frenchman (8) 18 They're in the front row
- when the game starts (5) 20 Row of drunks (4)

- 26 Where you'll find screws on the doors (6)
- 1 Fruit that gives individual vitality (5)
- 2 Pedestrian transport (7) 2 Fedestrian transport (7)
  3 Guy I leave out of American
  colleges (3.5)
  5 A shortage, alas! (5)
  6 Feeling I'm one to get
- pushed around (7)
  7 Using such a pencil is (9)
- 10 Daily signal (9) 13 Hose down one's supporters 15 He may take an interest in banking (9)
- 17 Weapon of no use at the front? (4,3) 19 Evidence of a spectator (7) 21 Girl getting a first love let-
- 20 Row or usual.

  21 Their place of work, the House of Commons (10)

  22 Busy newspaper chief swallows an egg salad (7)

  24 Is there at the start and finishes (7)

  The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 29.

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- Livyds Bk Unit Tst Mgrs Ltd (1904)F PO Sox 63, Chattam, Kent ME4 4YB

## GUIDE TO UNIT TRUST PRICING

These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units. The price at which make the baseline and price when the customer buys units. The price at which make make baseline and price when the customer buys units. The price at which make may be bought.

HID PRICE.
The price at which units may be sold.
CANCELLATION PRICE.
The maximum spread between the offer and hid prices is determined by a formula had down by the government. In practice, unit trust managers quote a much garrower gread. As a result, the bid price is often set well above the minimum permatche price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of solites of units over buyers.

price in circumstances in which there is a large coces of sellers of thists over boyer. These
The three shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: \$\Phi - 0001 to \$100\$ hours; \$\phi - 100\$ to \$100\$ hours; \$\phi - 1701\$ to midnight.

143510REC PRECING
The letter is denotes that prices are set on a historic back. This counts that, unless there has been an intervening portfolio revaluation, investors can normally lary and sell units today at the prices appearing in the semapaper which have been set on the basis of yesterday's about which.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that lovestors can be given no definite price in advance of the perchase or sale being carried out. The prices appearing in the investors show the prices at which deals were carried out last Friday.

Other explanatory notes are contained in the last column of the FT Healt Trust information pages.

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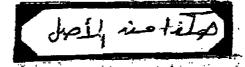
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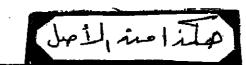
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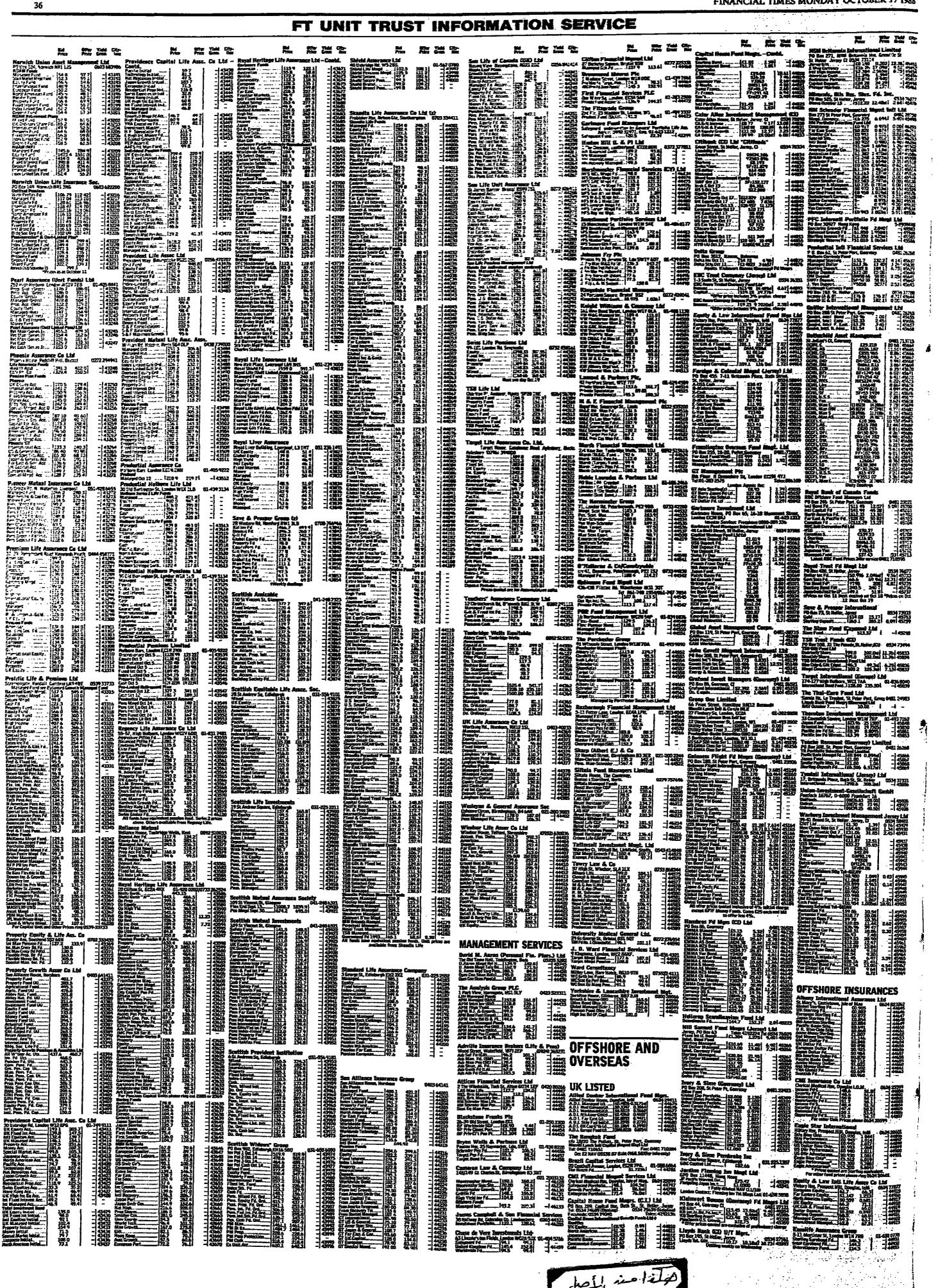


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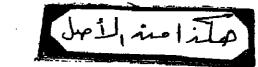
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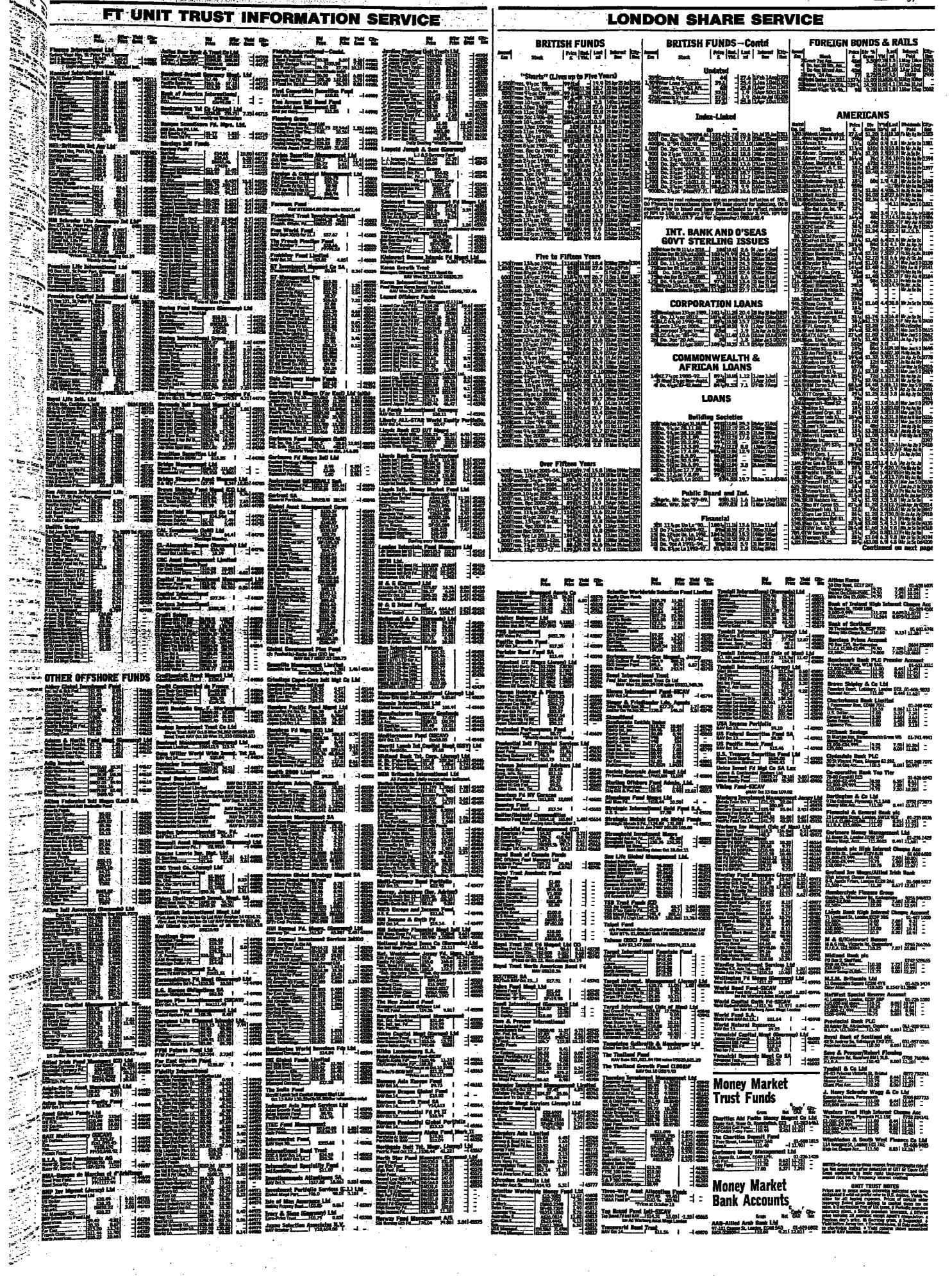
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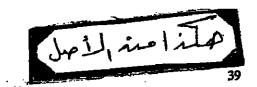
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#### LONDON SHARE SERVICE

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### CURRENCIES, MONEY AND CAPITAL MARKETS

#### **FOREIGN EXCHANGES**

## Tokyo sees dollar's fall as inevitable

By Colin Millham

WHEN THE dollar suddenly began to fall last week it was merely seen as bringing forward an inevitable decline.

This is the view from Tokyo, according to Mr Mark Cliffe, economist at Nomura Research Institute in London

Mr Cliffe says that for some time the consensus in Japan, if not in Europe, has been that the dollar would have to fall further after the US presidential election.

There were several factors behind the dollar's decline, but a particularly important rea-son was aggressive selling by financial institutions in Tokyo. This had a major impact on the currency, resulting in a fall of over 4 p.c. against the yen in

the space of one week.

A related factor was the lack of resistance from central banks, and Mr Cliffe suggests that the prospects for the dol-lar this week rest squarely with the monetary authorities, notably the US Federal

European central banks may feel the need to sell dollars, but comments from officials in Tokyo suggest the Bank of Japan will not support the US currency.

General sentiment surrounding the dollar has weakened, as it now appears unlikely the Federal Reserve will tighten its monetary policy.

Recent figures, including a lower than expected rise in US non-farm payrolls in September, suggest the economy is slowing, and there may even be scope for an easing of inter-est rates. Weak oil prices point towards less inflationary pressure in the major economies.

Opec is to hold a meeting in Madrid, on Thursday. Mr John Herrington, US Energy Secre-tary, said on Friday that Opec is unlikely to let the price of crude oil fall below \$10 a barrel for a sustained period.

Friday's figures on US producer prices suggest that there is no particular problem for the US with wholesale inflation. Prices in September rose a seasonally adjusted 0.4 p.c., compared with 0.6 p.c. in August.

While visiting Tokyo, Mr Alan Greenspan, chairman of the Federal Reserve Board, was reported to have told Mr Kiichi Miyazawa, Japanese Finance Minister, that inflation is not a problem in the US at the

If we are now entering a period when the dollar will weaken, the main beneficiaries are likely to be the yen and the D-Mark from a fundamental economic view, and possibly sterling, unless fundamentals start to outweigh the attractions of high London interest

Demand for the D-Mark will almost certainly increase strains within the European Monetary System.

The D-Mark was fixed at a record high against the French franc on Friday. The Bank of France gave support to the franc earlier in the week, but there was no sign of intervention at the fixing, or on the open market on Friday, as the franc slipped to the lowest

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**CURRENCY MOVEMENTS** 

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#### **MONEY MARKETS**

### **Intervention preferred** to a cut in base rates

INTERVENTION BY the Bank of England to sell sterling last week was taken as another indication that UK bank base rates will not be reduced in the

near future.

If the pound is too strong for comfort the authorities seem set on a course of foreign exchange intervention, rather than endorsing lower interest rates to reduce the currency's

Three-month sterling interbank hovered around 12 p.c., in line with the present base rate levels, as inflationary fears appeared to leave little scope

for lower rates. Apart from speeches at the Tory conference in Brighton pointing to the dangers of rising inflation, the market noted a rise of 9.25 p.c. in August UK average earnings, compared with 9 p.c. in July, and an increase in the September

retail prices index.

Pressure on the US to increase interest rates has eased, as a result of figures on UK slearing bank base leading rate 12 per cent Treat August 25 & 26

US employment levels, a wider trade deficit, and low oil prices. This has produced a weaker dollar, but a strong D-Mark. The West German Bundesbank is taking a cautious approach to interest rates.

There was no change in the underlying level of German rates last week, with the secu-

rates last week, with the securities repurchase agreement rate ranaining at 4.25 p.c.

But money supply growth is slowing, which should help ease the Bundesbank's fears about inflation. Demand for the D-Mark is beginning to pose problems against the dollar and within the European Monetary System.

Monetary System.

In the present circumstances, with the US and French authorities reluctant to push rates higher, pressure may increase on the Bundes-bank to lower rates.

#### **GENERAL APPOINTMENTS**

#### INVESTMENT **BANKING**

Leading international investment group requires an associate for its money markets division. Concentration of business will be Western European Region with

responsibility for origination or euro money market business and management reporting analyses. Incumbent requires expertise in all facets of international/U.S. money markets products, euro-commercial paper, euro-mediumm term notes, floating rate

notes and syndicated facilities markets from marketing through to legislative and documentation aspect, preferably gained in U.S. environment. Fluent German essential. Salary negotiable. Aged mid-20's. Education

to degree standard (economics/finance). Please write in strictest confidence,

enclosing full cv, to: Box A1018, Financial Times, 10 Cannon Street, London EC4P 4BY

position in the EMS. It was generally felt in the market that the French authorities will move to defend the currency this week, or be faced with the need for higher inter-

est rates. The second half of the month will produce the most impor-tent UK economic news. Thursday is likely to be the focus of attention this week. Mr Nigel Lawson, Chancellor of the

Exchequer, speaks at the Mansion House, and figures on September bank lending and money supply will be published.

The Prime Minister, and the Chancellor, speaking to the Conservative Party Conference last week, concentrated on the fight against inflation. Mr Lawson is almost certain to highlight the subject again

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#### FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

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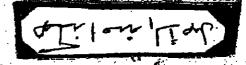
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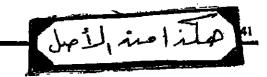
Sun Company, Inc. ("Sun") has announced that on November 1, 1988 it plans to distribute to holders of its Common Stock, \$1 par value ("Sun Common Stock,"), of record on October 14, 1988, substantially all the outstanding shares of Common Stock, \$1 par value ("Sun E&P Common Stock,") of its wholly-owned oil and gas exploration and production subsidiary, Sun Exploration and Production Company ("Sun E&P"), in the ratio of one share of Sun E&P Common Stock for each share of Sun Common Stock, with no consideration being paid by the holders of Sun Common Stock for the Sun E&P Common Stock exchangeable for the 7½% Subordinated Debentures of Sun E&P Common Stock distributed in respect of the Sun Common Stock exchangeable for the 7½% Subordinated Debentures Due 1995 (the "Debentures") of Helmerich & Payne Finance N. V. ("H&P Finance") Agent under the Escrow Agreement, dated as of October 15, 1980, among H&P Finance, Helmerich & Payne, Inc. ("H&P") and the Escrow Agent. Thereupon, Debentures surrendered for exchange on or after October 15, 1988 will be exchanged for Sun Common Stock and Sun E&P Common Stock at the rate of 17.3160 shares of Sun Common Stock and 17.3160 shares of Sun Common Stock and 17.3160 shares of Sun Common Stock and 17.3160 shares of Sun Common Stock end 17.3160 shares of Sun Common Stock and 17.3160 shares of Sun Common Stock end 17.3160 shares of Sun E&P Common Stock eliverable upon exchange of Sun Common Stock upon exchange of Sun Common Stock eliverable upon ex

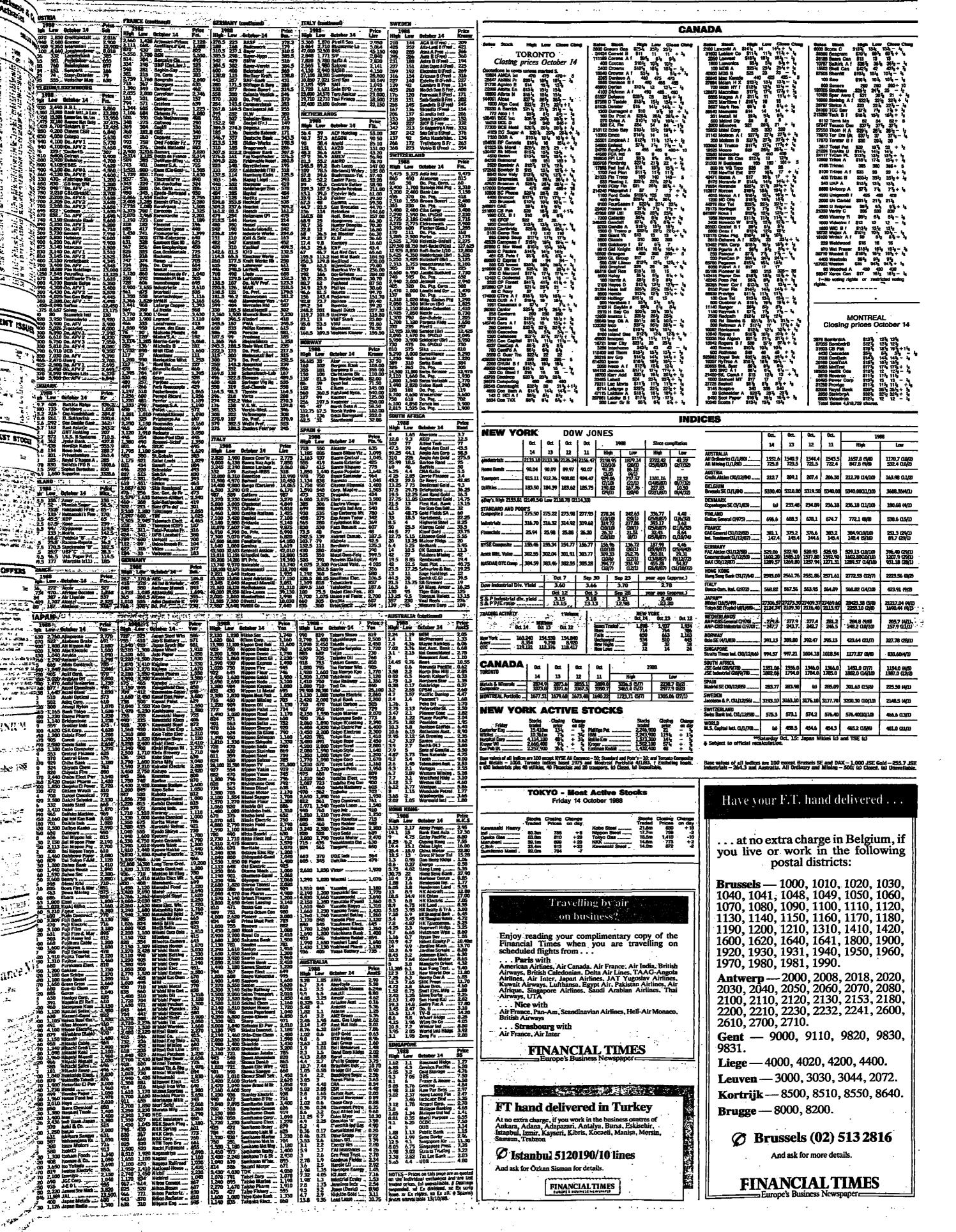
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October 14, 1988



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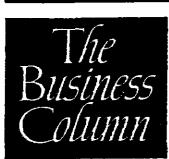
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### Leaner, but not necessarily fitter

ow many people do you have reporting to you – 25, 15 or still only five? And how many layers have you managed to take out of your organisation - four, two, or only one?

Over the past few years, as corporate leanness and speed of action have become increasingly important to competi-tiveness, these questions have become as much part of the machismo of management as the old status symbols of 16hour working days, seven-day working weeks, and one-week annual holidays.

The arch-exponent has been General Electric of the US, whose ultra-lean chairman, Jack Welch, has made a virtue of increasing the average "span of control" throughout his organisation from not much more than five "direct reports" per manager when he took over in 1981 around to 12 at present; many GE units already top 18, and some are even pushing 25. There have been plenty of less publicised cases, on both sides of the

The principle is simple: that if you strip back the number of managers at any level, and "de-layer" the organisation as far as possible, then individual executives and the company as a whole will become much bet-ter at setting priorities, and altogether more effective at managing resources. Time will suddenly be of the essence, and any task that is not top priority will either be dealt

with rapidly, or abandoned.

The theory begs two main questions, as managers at all levels have begun to discover: to their own discomfiture, and often that of their company.

#### Straw poll of top managers

First, can any manager communicate really thoroughly and effectively with more than five to 15 subordinates? That was the broad limit, depending on particular circumstances. which was suggested for senior executives 50 years ago by Chester Barnard, a practis-ing top manager in the US whose research and writings have had a remarkable influence over practitioners and academics ever since.

A straw poll of several of today's top managers of suc-cessful British multinationals, in a range of industries, organisation structures and company sizes, comes out with an ideal figure of between six and eight; one executive says from bitter experience that "otherwise, I become a bottleneck". Another comments that "if you have any more people than that reporting to you, then you end up firefighting unexpected problems, instead

of directing and managing".
Second, the theory presupposes that everyone down the fast-working and able to cope with overload as the remark-able Jack Welches of this world. If this is not the case, then people will tend to rush decisions, cut corners, ignore things that really do need doing, or pass the buck to the next level (if there still is one, that is). On a personal level, they will suffer from over-

work, stress and demotivation. Whether six to eight really is the ideal "span of control" depends on a multitude of variables. One is the degree of real control versus "empower-ment" used by top manage-ment. Another is the organisa-

#### Close consensus on values

For instance, in a well-run matrix organisation where managers report to three peo-ple in parallel for different aspects of their work, but share a close consensus on val-ues and objectives, it may just be possible to do a Welch, and multiply to 18 or 24 the num-ber of "direct reports" (though that term is inappropriate in such circumstances). On the other hand, another organisation which operates a matrix may be plagued by distrust and demarcation disputes, leaving it with no choice but to face chaos or reduce the average number of subordi-

nates to three or four.

Most organisations lie between these extremes. The only certainties are that it is hard to strike the right balance, and easy to overdo the machismo.

THE MONDAY INTERVIEW

# The elegant art of control

Richard Lambert and Kenneth Gooding speak to Harry Oppenheimer, Anglo American's patriarch

The point he wants to get across is that Minorco is not going to be run as an Anglo fief. "We've taken on Michael Edwardes as chief executive. We think he is a tough fellow who is not easily pushed around either by people outside or by us. That is something we want because we don't think we can make a success of a company in Europe if we attempt to run it from

mer, two weeks short of his 80th

birthday, looks faintly pained. If find it insufferable to be attacked on grounds of South African con-

nections, particularly by a group which has been very active in South Africa and

which has certainly not been in the forefront of opposition to the apartheid policy," he says. The man who for 25 years had complete authority over

the Anglo American Corpora-

tion. South Africa's most pow-erful business entity, is talking about the response by Consoli-dated Gold Fields to the hostile

takeover bid from Minorco, a company in the Anglo stable.

In an elegant apartment in London's Belgravia, he has granted one of his rare press interviews in order to brush away some of the mud which Gold Fields has been slinging

He is courteous, amusing, almost diffident: but he's

talking with a purpose. As a public relations exercise, it is

very high class.

Mr Oppenheimer has never been caught up in a contested

bid before, "in fact I'm racking

my brains to think whether we've ever made a takeover at

all." He says he has been sur-prised by the violence of Gold

Fields' reaction, which has been directed at several differ-

First, there is the charge

that Minorco is to all intents a South African business con-

trolled by Anglo from Johan-

nesburg, and that a successful

takeover bid from such a source would be bound to dam-age Gold Fields' interests

The answer to this, according to Mr Oppenheimer, is that nearly 40 per cent of Gold Fields' capital is already held

or controlled by South African

interests. A takeover by Minorco, which already has a

sizeable number of its shares

held outside South Africa, will

not actually make all that much difference to the charac-ter of its ownership.

This is an argument which

makes Gold Fields people

gnash their teeth with rage.

There is all the difference in the world, they say, between an independent London regis-

tered company which happens

to have a couple of Anglo

directors, and one which is reg-istered in Luxembourg with a

board appointed by Anglo.

But Mr Oppenheimer is not

impressed. He says he simply

does not believe that Gold

Fields' interests in areas like aggregates or mineral explora-tion would be damaged by

political fall-out stemming

from a shift to Minorco's own-

ership. Besides, any problems would be for the new managers

to worry about, rather than the

existing lot, and they are

happy they can cope.

ent, but related, fronts.

around the world.

in his direction.

Johannesburg."
The idea is to turn Minorco from a passive investment company into a major international business with direct control over its own operations. "We are quite clear in our own minds that if we have a big business outside South Africa, we cannot run it from Johannesburg. It has to be an invest-

ment only."

But Anglo's image is of a group which exercises control in all kinds of indirect ways: influence is at least as important as a voting majority in its relationships with associates. Mr Oppenheimer agrees that control can mean many different things, but he adds that you cannot exercise control without the support of a major-ity of shareholders. If you have a big holding yourself, he argues, you will express your views and people will listen to you, if they are sensible. But it is not just a question of issuing instructions, especially if you are dealing with a company that is away from your home

Mr Oppenheimer breaks off to remind us that he is no longer chairman of Anglo, and that these questions should be addressed elsewhere. In fact, it is hard to gauge exactly what his role is in the business today. The Gold Fields camp suggests he still pulls all the strings, but "I'm afraid you will find that when you become 80 years old it's not come 100 years old it's not something you really can do." Moreover his personal shareholdings are not nearly big enough by themselves to bring control of the group. His family per cent of Minorco (which will fall to 45 per cent if the bid goes through), and it is also involved in the diamond deal-

ing business in London. His shareholdings do make a difference in one important, though intangible, respect. Well over 90 per cent of all the money he has in the world is tied up in Anglo and Minorco and "if you are in that position people in your organisation know that . . in such influence as you exercise you are likely to be very careful about the interests of shareholders and not only about the inter-

ests of managers."
Mr Oppenheimer stresses that he has not taken any kind

#### PERSONAL FILE

1908 Born Kimberley. Educated Christ Church, Oxford 1931 Joined Anglo American Corporation

1940-1945 Served in the South African 4th Armoured Car Regiment 1945 Rejoined Anglo American as managing

1948 Entered South African partiament as Progressive Party member for Kimberley 1957 Appointed chairman of Anglo American and De Beers 1982 Retired from Anglo

American 1984 Retired from De Bears

of lead in the Minorco bid. "People are polite to me because I'm old and have been around for a long time, but I don't think they would just accept what I say.
"Since I've retired (six years

ago) quite a few things have ago) dute a few drings have been done in our group that I personally would not have done. But that's why I retired, because you get to a time when things should not be done in the same way."

All the same, as head of the family which created Anglo, and after 50 years on its board. he plainly exerts considerable

risk of someone we didn't like or someone we didn't know acquiring control of Gold Fields of South Africa."

Mr Oppenheimer accepts the suggestion that South Africa has been cast in the role of a parial by the international no apologies for being a South African. He would be inclined to apologise if he felt that he'd spent his time supporting the policy of racial discrimination. but this is far from the case. T can hopestly say that I've stood up to be counted on apartheid for a very long

This is certainly true, and one of the inomes of this affair

affairs. It is noticeable that he talks about its activities in talks about its activities in terms of "we" and "us". He says that it would give him pleasure for his son to become group chairman one day, but he wun't be around to see it happen, if it ever does. "The way the world is, you can't lead public companies by grace and favour," he reflects willy. "I days say I'd like to, but I can't." That may well be so, but

there is no doubt about the power which he has exercised within the South African business community. For instance, the decision to buy the original shareholding in Gold Fields back in 1960 was aimed at ensuring that control of its South African associate, Gold Fields of South Africa, did not fall into the wrong hands. "We were very concerned about the

Why should this have been a matter of concern? Well, it could have altered the balance of power in the mining basi-ness, especially if someone came in who had different ideas about the handling of labour or race relations.

community, but says he makes

is that Gold Fields, which is



'We don't think we can make a success of a company in Europe run from Johannesburg'

now playing the South African card for all it is worth, has always been associated with one of the most conservative mine owners in the country, whereas Angle in the Oppenbeiner years was well ahead of business opinion generally on these matters. But could not an organisation with such enormous economic power have done more? What about the charge that his approach to change had always been a mat-ter of too little, too late?

"You know when you look back, you say you ought to have been braver. You know that is true, and yet you can't judge the past in terms of the climate of opinion of the pres-ent. I would not like to argue that I've done everything i could have done, or that our group has done everything it could have or should have done. But I think that in a comparative sense, we were consistently on the side of the

Critics suggest that this bid marks a fixed recognition that South Africa has become a cul do sec, and that the only sendble policy is to develop assets eleculare. But Mr Oppeniel mer politely dismisses the mer porsery dismisses the notion. Misorco is a company with a life of its own which must be allowed to go its own way. And Anglo, whether it likes it or not, is and will remain overwhelmingly centred in 44 Main Street, Johan-

## Spycatcher: confusion rather than clarity

owns just over 8 per cent of Anglo and a little more than 7

ighteen judges - all delivering their separate and not always reconcilable judgments - and two years of expensive litigation over the right to publish the contents of Spycatcher in this country and to print newspa-per comment on Peter Wright's book (not to mention legal pro-ceedings in other jurisdictions of the Commonwealth) have left so many unanswered questions and uncertain develop-ments in the law that the end product is confusion rather than clarity. True it is that the media have triumphed, but their victory relates so much to the particular case which is never likely to be repeated.

There is no doubt that a member of the security services owes a duty to the Crown not to divulge anything about his work, both during his term of service and in his retire-ment. Intelligence services would be seriously compro-mised if there was the freedom on the part of their officers to reveal any matter relating to their experiences. All the courts in the Spycatcher case have rightly acknowledged that much, although there is a powerful case made out for government introducing a vet-ting system whereby harmless accounts of life in the secret services should be permitted. Other countries seem to oper-ate a sensible method of giving official blessing to the memoirs

of secret service officers.
But the issue in Spycatcher
was never between the Crown and its civil servant. What was at stake was nothing less than the freedom of the press not to be inhibited by law in what it chose to publish.

The late Lord Jacobson, who

spent a lifetime in journalism, once remarked that the relations between government and the media were bad, were deteriorating and ought never in any circumstances to be improved. In so wittily depicting a necessary, constant ten-sion between established government and newspapers he was reflecting the supreme virtue in a free society of the obstinate and unshakable maintenance of editorial free-

In the United States, an Christopher Lorenz injunction against either The Observer or The Guardian



would have, quite literally, been an impossibility. Faced with the first amendment to the Constitution, no American judge would have ruled one jot or tittle to intervene. The founding fathers of the US Constitution had erected an insur-mountable barrier between government and the media so far as tampering, in advance of publication, whenever editorial judgment was involved. The restraint, if at all, resides in what can properly be imposed on the civil servant prior to his

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revelations, but only against the improper exercise of edito-rial power after publication (because it would be against the public interest). The balance of interests

between the risks in disclosure by secret service officers and the public interest to know what is being done in its name will always tend to favour the latter. The five Law Lords have by and large retained to themselves the duty of balancing rival interests, depending on the particular case. The newspapers in the Spycatcher case won only because in that case the realities of life were that all the world, except for the British public, was able to know all that Spycatcher cou-

tained.

Much of the language used by the judges discloses the fact that they are not so imbued with the concept that the pub-lic interest lies ultimately and solely in the moderation and social responsibility of those who exercise guaranteed free-dom of expression. It is yet another instance of judicial preference for pragmatism than adherence to precept that so characterises the approach

of English judges.

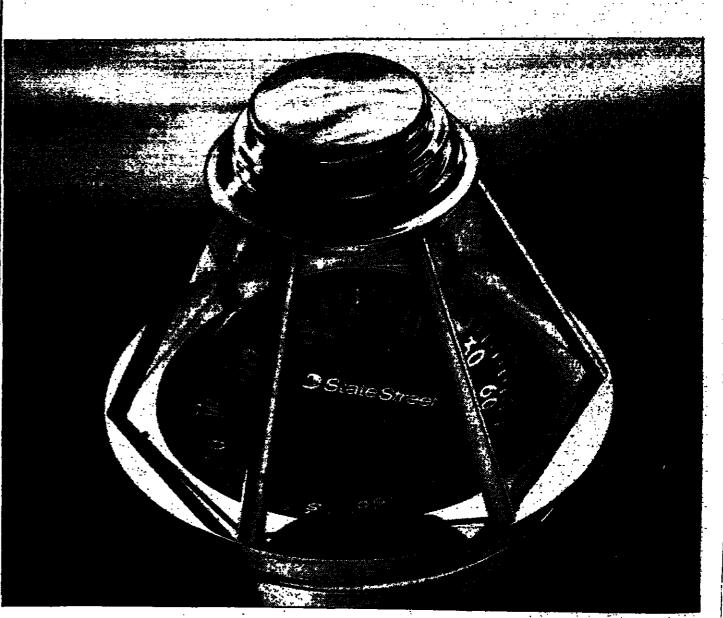
The pity of the situation is that the victory in the litigation has gone to those who, had they lost, would have wished to take their case to

Strasbourg. There does appear an increasing willingness on the part of the English judiciary to take on board the Articles of the European Convention on Human Rights, without legal directions to apply its provi-sions but at the same time without endowing them with the spirit of their declaration. Article 10 guarantees freedom of expression, except in very limited circumstances that are declared to be necessary in a democratic society. Whether that constitutional guarantee matches fully the declaration in the first amendment of the in the first amendment of the US Constitution has yet to be

put to the acid test.
In the absence of any adoption of such an approach in England, the worry is that the courts will develop the law of confidentiality, which lay at the heart of the courts' decision in the Spycatcher case, so as to import an invasion of pri-vacy law that would go way beyond the mere protection of commercially valuable infor-mation. Will the courts now begin not merely to decry the "sordid spying into the privacy of domestic life" but accord

complainants a legal remedy?

If there is a need for an invasion of privacy law we should prefer that parliament declare specifically the boundary lines of any remedy rather than leave it to the courts to expand the law of confidentiality in a case by-case manner. So long as English courts fail to grasp the fundamental principle of free speech, the legislature must declare the principle and state what limitations, if any, are appropriate.



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